

COVER SHEET

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S. E. C. Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

SEC FORM

Definitive Information Statement

2nd Tuesday of June

1	2

Month

3	1

Day

		2	0	-	I	S	

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

S T A M P S

Remarks = pls. Use black ink for scanning purposes



SAN MIGUEL CORPORATION

NOTICE OF REGULAR MEETING OF STOCKHOLDERS

June 14, 2016

The Regular Meeting of the Stockholders of San Miguel Corporation will be held on **Tuesday, June 14, 2016 at 2:00 P.M.** at the **Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City.**

The Agenda of the Meeting is as follows:

1. Certification of Notice and Quorum
2. Approval of the Minutes of the Regular Stockholders' Meeting held on June 9, 2015
3. Presentation of the Annual Report
4. Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
5. Appointment of External Auditors
6. Election of the Board of Directors
7. Other Matters
8. Adjournment

Minutes of the 2015 Regular Stockholders' Meeting and resolutions of the Board of Directors beginning January 1, 2015 will be available for examination during office hours at the Office of the Corporate Secretariat.

The deadline for submission of proxies is on **May 31, 2016**. For corporations, proxies must be accompanied by its Corporate Secretary's sworn certification stating the corporate officer's authority to represent the corporation in the meeting. Proxies need not be notarized. Validation of proxies will be on **June 7, 2016** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Ave., Mandaluyong City, Philippines. For your convenience in registering your attendance, please present some form of identification, such as passport, driver's license, or company I.D. Registration will start at 11:30 A.M. and the registration booths will be closed at 2:15 P.M.

Virgilio S. Jacinto
Corporate Secretary

PROXY

I, the undersigned stockholder of SAN MIGUEL CORPORATION (the "Company"), appoint:

The Chairman of the Board of Directors of the Company, or in his absence

The Vice Chairman of the Board of Directors of the Company, or in his absence

The President of the Company, or in his absence

The Chairman of the June 14, 2016 Annual Meeting of the Stockholders

as my proxy, to represent me at the regular meeting of the stockholders of the Company scheduled for Tuesday, June 14, 2016 at 2:00 p.m. at the Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City, Philippines, and any of its adjournment(s), as fully as I could do if present and voting in person, ratifying all action taken on matters that may properly come before such meeting or its adjournment(s). I direct my proxy to vote shares which I own, or may hereafter own, and such shares as I am authorized to vote in my capacity as Administrator, Executor or Attorney-in Fact, on the agenda items I have indicated with "X" below. **If I fail to indicate my vote on the items specified below, my proxy shall vote in accordance with the recommendation of Management. Management recommends a "FOR ALL" vote for proposal 1, and a "FOR" vote for proposals 2 through 5.**

PROPOSAL	ACTION		
	FOR ALL	WITHHOLD FOR ALL	EXCEPTION
1. Election of Management's Nominees as Directors The nominees for Directors are (a) Eduardo M. Cojuangco, Jr., (b) Ramon S. Ang, (c) Leo S. Alvez, (d) Aurora T. Calderon, (e) Joselito D. Campos, Jr., (f) Ferdinand K. Constantino, (g) Menardo R. Jimenez, (h) Estelito P. Mendoza, (i) Alexander J. Poblador, (j) Horacio C. Ramos, (k) Thomas A. Tan and (l) Iñigo Zobel. The nominees for Independent Directors are (a) Reynaldo G. David, (b) Reynato S. Puno, and (c) Margarito B. Teves. INSTRUCTIONS: <i>To withhold authority to vote for any individual nominee(s) of Management, please mark Exception box and list the name(s) under.</i>			
	FOR	AGAINST	ABSTAIN
2. Approval of the Minutes of the 2015 Annual Stockholders' Meeting			
3. Approval of the Annual Report of the Company for year ended December 31, 2015			
4. Ratification of all the acts of the Board of Directors and Officers since the 2015 Annual Stockholders' Meeting.			
5. Appointment of R.G. Manabat & Company CPAs as external auditors of the Company			

Signed this ____ day of _____ 2016.

PRINTED NAME OF SHAREHOLDER

SIGNATURE OF SHAREHOLDER/
AUTHORIZED SIGNATORY

Revocability of Proxies. A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked by any of the following means: (1) filing with the Corporate Secretary, at least 10 working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Persons Making the Solicitation. This solicitation is being made by the Company. Solicitation of proxies in the Philippines will be mainly conducted through mail. Proxies will also, however, be solicited in person or through telephone. The cost of solicitation, approximately ₱2,000,000.00, will be borne by the Company.

Interest of Certain Persons in Matters to be Acted Upon. No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office.

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 20-IS
INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

☐ Preliminary Information Statement
☒ Definitive Information Statement

2. Name of Registrant as specified in its charter **SAN MIGUEL CORPORATION**

3. Province, country or other jurisdiction of incorporation or organization **Philippines**

4. SEC Identification No. **PW 000277**

5. BIR Tax Identification No. **000-060-741-000**

6. Address of principal office Postal Code

No. 40 San Miguel Avenue, Mandaluyong City 1550



7. Registrant's telephone number, including area code **(02) 632-3000**

8. Date, Time and Place of the meeting of security holders

**Tuesday, June 14, 2016 at 2:00 P.M.
Ballroom, Valle Verde Country Club, Inc.,
Capt. Henry P. Javier St., Bo. Oranbo, Pasig City**

9. Approximate date on which the Information Statement is first to be sent or given to security holders

May 13, 2016

10. Name of Person Filing the Statement:

San Miguel Corporation

Address:

40 San Miguel Ave., Mandaluyong City 1550

Telephone No.:

(02) 632-3000

11. Securities registered pursuant to Sections 8 and 12 of the SRC

<u>Title of Each Class</u>	<u>Number of Shares of Common and Preferred Stock Outstanding as of March 31, 2016</u>	
Common Shares	<u>2,378,656,755</u>	
SUB-TOTAL (Common Shares)		2,378,656,755
Series 1 Preferred Shares	279,406,667	
Series “2-A” Preferred Shares	0	
Series “2-B” Preferred Shares	90,428,200	
Series “2-C” Preferred Shares	255,559,400	
Series “2-D” Preferred Shares	89,333,400	
Series “2-E” Preferred Shares	134,000,100	
Series “2-F” Preferred Shares	223,333,500	
Series “2-G” Preferred Shares	66,666,600	
Series “2-H” Preferred Shares	164,000,000	
Series “2-I” Preferred Shares	<u>169,333,400</u>	
SUB-TOTAL (Preferred Shares)		<u>1,472,061,267</u>
TOTAL Outstanding Shares		3,850,718,022

12. Are any or all of registrant’s securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, disclose name of the Stock Exchange and class of securities listed therein:

Philippine Stock Exchange

- (a) **Common Shares**
- (b) **Series “1” Preferred Shares**
- (c) **Series “2” Preferred Shares - 2-A¹**
- (d) **Series “2” Preferred Shares - 2-B**
- (e) **Series “2” Preferred Shares - 2-C**
- (f) **Series “2” Preferred Shares - 2-D**
- (g) **Series “2” Preferred Shares - 2-E**
- (h) **Series “2” Preferred Shares - 2-F**
- (i) **Series “2” Preferred Shares - 2-G**
- (j) **Series “2” Preferred Shares - 2-H**
- (k) **Series “2” Preferred Shares - 2-I**

¹ Subject to trading suspension following their redemption on September 21, 2015

INFORMATION STATEMENT

GENERAL INFORMATION

Date, Time and Place of Annual Meeting

The annual stockholders' meeting of **San Miguel Corporation** (the "Company" or "SMC") will be held at the **Ballroom, Valle Verde Country Club, Inc., Capt. Henry P. Javier St., Bo. Oranbo, Pasig City** on **June 14, 2016** at **2:00 p.m.** The complete mailing address of the principal office of the Company is No. 40 San Miguel Avenue, Mandaluyong City, 1550, Metro Manila, Philippines.

The information statement is first to be sent to security holders approximately on **May 13, 2016.**

YOU ARE NOT REQUESTED TO SEND US A PROXY.

Revocability of Proxies

A person giving a proxy may revoke it at any time before it is exercised. A proxy may be revoked through any of the following means: (1) filing with the Corporate Secretary, at least ten (10) working days before the scheduled meeting, a written notice revoking it; or (2) attending the meeting and voting in person. Mere attendance at the meeting will not automatically revoke a proxy.

Dissenters' Right of Appraisal

Under Title X of the Corporation Code, stockholders dissenting from and voting against the following corporate actions may demand payment of the fair value of their shares as of the day prior to the date on which the vote was taken for such corporate action, namely: amendment to the corporation's articles and By-laws which has the effect of changing and restricting the rights of any shareholder or class of shares; or authorizing preferences in any respect superior to those of outstanding shares of any class; sale, lease, mortgage or other disposition of all or substantially all of the corporation's assets; merger or consolidation; investment of corporate funds in another corporation or business or for any purpose other than its primary purpose; and extension or shortening of term of corporate existence.

There are no corporate matters or actions at the 2016 annual stockholders' meeting that will entitle dissenting stockholders to exercise their right of appraisal as provided by Title X and other relevant provisions of the Corporation Code.

SOLICITATION INFORMATION

The Company is not soliciting proxies. A proxy form is provided to the stockholders of the Company and included in this Information Statement.

Interest of Certain Persons in Matters to be Acted Upon

No director, nominee for election as director, associate of the nominee or executive officer of the Company at any time since the beginning of the last fiscal year has had any substantial interest, direct or indirect, by security holdings or otherwise, in any of the matters to be acted upon in the meeting, other than election to office. None of the incumbent directors has informed the Company in writing of an intention to oppose any action to be taken by the Company at the meeting.

CONTROL AND COMPENSATION INFORMATION

Voting Securities and Principal Holders Thereof

As of March 31, 2016, the Company had the following outstanding shares of stock:

<u>Title of Each Class</u>	<u>Number of Shares of Common and Preferred Stock Outstanding as of March 31, 2016</u>	
Common Shares	<u>2,378,656,755</u>	
SUB-TOTAL (Common Shares)		2,378,656,755
Series 1 Preferred Shares	279,406,667	
Series “2-A” Preferred Shares	0	
Series “2-B” Preferred Shares	90,428,200	
Series “2-C” Preferred Shares	255,559,400	
Series “2-D” Preferred Shares	89,333,400	
Series “2-E” Preferred Shares	134,000,100	
Series “2-F” Preferred Shares	223,333,500	
Series “2-G” Preferred Shares	66,666,600	
Series “2-H” Preferred Shares	164,000,000	
Series “2-I” Preferred Shares	<u>169,333,400</u>	
SUB-TOTAL (Preferred Shares)		<u>1,472,061,267</u>
TOTAL Outstanding Shares		3,850,718,022

As of March 31, 2016, the following is the foreign ownership of the shares of stock of the Company:

<u>Share Class</u>	<u>Foreign Shares</u>	<u>Percentage of Foreign Ownership</u>	<u>Local Shares / Shares held by Filipinos</u>	<u>Percentage of Filipino Ownership</u>	<u>Total Shares Outstanding</u>
Common	61,652,787	2.59%	2,317,003,968	97.41%	2,378,656,755
Preferred Shares Series 1	0	0.00%	279,406,667	100.00%	279,406,667
Preferred Shares “2-A”	0	0.00%	0	0.00%	0
Preferred Shares “2-B”	94,000	0.10%	90,334,200	99.90%	90,428,200
Preferred Shares “2-C”	1,217,440	0.48%	254,341,960	99.52%	255,559,400
Preferred Shares “2-D”	359,890	0.40%	88,973,510	99.60%	89,333,400
Preferred Shares “2-E”	484,900	0.36%	133,515,200	99.64%	134,000,100
Preferred Shares “2-F”	1,259,980	0.56%	222,073,520	99.44%	223,333,500
Preferred Shares “2-G”	15,500	0.02%	66,651,100	99.98%	66,666,600
Preferred Shares “2-H”	88,700	0.05%	163,911,300	99.95%	164,000,000
Preferred Shares “2-I”	738,500	0.44%	168,594,900	99.56%	169,333,400
TOTAL	65,911,697	1.71%	3,784,806,325	98.29%	3,850,718,022

A stockholder entitled to vote at the meeting has the right to vote in person or by proxy. Only stockholders of record at the close of business on May 13, 2016 will be entitled to vote at the meeting. With respect to the election of directors, in accordance with Section 24 of the Corporation Code of the Philippines, a stockholder may vote the number of common shares held in his name in the Company's stock books as of May 13, 2016, and may vote such number of common shares for as many persons as there are directors to be elected or he may cumulate said common shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his common shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit; Provided, That the total number of votes cast by him shall not exceed the number of common shares owned by him as shown in the books of the Company multiplied by the total number of directors to be elected.

The total number of votes that may be cast by a stockholder of the Company is computed as follows: **number of common shares held on record as of record date multiplied by 15 directors.**

The deadline for submission of proxies is on **May 31, 2016**. Validation of proxies will be on **June 7, 2016** at 10:00 a.m. at the SMC Stock Transfer Service Corporation Office, 2nd Floor, SMC Head Office Complex, No. 40 San Miguel Avenue, Mandaluyong City, Philippines.

Owners of more than 5% of the Company's voting² securities (both common and preferred shares) as of March 31, 2016 are as follows:

Title of Class	Name, Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent
Common	Top Frontier Investment Holdings Inc. ³ 5th Floor, ENZO Bldg., No. 339 Sen. Gil Puyat, Makati City	Iñigo Zobel, Filipino, Director of the Company, and Ramon S. Ang, Filipino, the President and Chief Operating Officer of the Company, are beneficial owners of 59.96% and 26.03% ⁴ of the outstanding common stock of Top Frontier, respectively.	Filipino	1,573,100,340	40.85%
Common	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ Entities	Filipino	192,680,905	33.85%
Series "2" Preferred Shares	PCD Nominee Corporation (Filipino) Makati City	Various individuals/ Entities	Filipino	1,110,975,390	

² Common stockholders have the right to vote on all matters requiring stockholders' approval. The holders of the Series "2" Preferred Shares shall not be entitled to vote except in matters provided for in the Corporation Code: amendment of Articles of Incorporation; adoption and amendment of By-laws; sale, lease exchange, mortgage, pledge, or other disposition of all or substantially all of the corporate property; incurring, creating or increasing bonded indebtedness; increase or decrease of capital stock; merger or consolidation with another corporation or other corporations; investment of corporate funds in another corporation or business; and dissolution.

³ The shares owned by Top Frontier Investment Holdings, Inc. are voted, in person or by proxy, by its authorized designate. As of December 31, 2015, Top Frontier Investment Holdings, Inc. has voting rights to a total of 1,573,100,340 common shares of the Company which represent about 66% of the outstanding common capital stock of the Company.

⁴ As of December 31, 2015, through Privado Holdings, Corp and Master Year Limited, both stockholders of record of Top Frontier.

Common	Privado Holdings, Corp. Room 306 Narra Building, 2776 Pasong Tamo Extension, Makati City	Ramon S. Ang, Filipino, as beneficial owner of 100% of the outstanding capital stock of Privado. ⁵	Filipino	368,140,516	9.56%

The following are the number of shares comprising the Company's capital stock (all of which are voting shares) owned of record by the Chief Executive Officer, directors, key officers of the Company, and nominees for election as director as of March 31, 2016:

Name of Owner	Amount and Nature of Ownership		Citizenship	Total No. of Shares
	Common	Preferred		
Eduardo M. Cojuangco, Jr.	1,718,679 (D)		Filipino	1,718,679 (0.04%)
Ramon S. Ang	757,873 (D) 368,140,516 (I) ⁶		Filipino	368,898,389 (9.58%)
Leo S. Alvez	10,000 (D) 9,326 (I)		Filipino	19,326 (0.00%)
Aurora T. Calderon	22,600 (D)		Filipino	22,600 (0.00%)
Joselito D. Campos, Jr.	9,149 (D)		Filipino	9,149 (0.00%)
Ferdinand K. Constantino	187,500 (D)	200,000 (D)	Filipino	387,500 (0.01%)
Winston F. Garcia	5,000 (D)		Filipino	5,000 (0.00%)
Menardo R. Jimenez	5,000 (D)		Filipino	5,000 (0.00%)
Estelito P. Mendoza	31,972 (D)		Filipino	31,972 (0.00%)
Alexander J. Poblador	5,000 (D)		Filipino	5,000 (0.00%)
Reynato S. Puno	5,000 (D)		Filipino	5,000 (0.00%)
Horacio C. Ramos	5,000 (D)		Filipino	5,000 (0.00%)
Thomas A. Tan	5,000 (D)		Filipino	5,000 (0.00%)
Margarito B. Teves	5,000 (D)		Filipino	5,000 (0.00%)
Iñigo Zobel	16,171 (D) 943,230,964 (I) ⁷		Filipino	943,247,135 (24.50%)
Virgilio S. Jacinto	25,622 (D)		Filipino	25,622 (0.00%)
Joseph N. Pineda	42,600 (D)		Filipino	42,600 (0.00%)

(D) – direct

(I) – indirect

The aggregate number of shares owned of record by the Chief Executive Officer, Chief Operating Officer, key officers and directors as a group as of March 31, 2016 is 3,023,892 shares or approximately 0.0785% of the Company's outstanding capital stock.

Voting Trust

There is no person holding more than 5% of the Company's voting securities under a voting trust arrangement.

Changes in Control

The Company is not aware of any change of control or arrangement that may result in a change in control of the Company since the beginning of its last fiscal year.

⁵ As of March 31, 2016.

⁶ Through his 100% shareholdings in Privado Holdings Corp.

⁷ Through his 59.96% shareholdings in Top Frontier Investment Holdings, Inc.

DIRECTORS AND EXECUTIVE OFFICERS

Directors and Executive Officers

The names of the incumbent and nominee directors and key executive officers of the Company, and their respective ages, periods of service, directorships in other reporting companies and positions held in the last five (5) years, are as follows:

Board of Directors

Name	Age	Citizenship	Position
Eduardo M. Cojuangco, Jr.	80	Filipino	Chairman and Chief Executive Officer
Ramon S. Ang	62	Filipino	Vice Chairman, President and Chief Operating Officer
Estelito P. Mendoza	86	Filipino	Director
Leo S. Alvez	73	Filipino	Director
Aurora T. Calderon	61	Filipino	Director
Joselito F. Campos, Jr.	65	Filipino	Director
Ferdinand K. Constantino	64	Filipino	Director
Menardo R. Jimenez	83	Filipino	Director
Alexander J. Poblador	62	Filipino	Director
Horacio G. Ramos	71	Filipino	Director
Thomas A. Tan	62	Filipino	Director
Iñigo Zobel	59	Filipino	Director
Winston F. Garcia	57	Filipino	Independent Director
Reynato S. Puno	75	Filipino	Independent Director
Margarito B. Teves	72	Filipino	Independent Director
Reynaldo G. David	73	Filipino	Nominee Independent Director

Eduardo M. Cojuangco, Jr. is the Chairman and Chief Executive Officer of the Company, a position he has held since July 7, 1998. He is also the Chairman of the Executive Committee of the Company. He also holds the following positions in other publicly-listed companies: Chairman and Chief Executive Officer of Ginebra San Miguel Inc.; and Chairman of San Miguel Pure Foods Company, Inc. and Petron Corporation. He is also the Chairman of ECJ & Sons Agricultural Enterprises, Inc. and the Eduardo Cojuangco, Jr. Foundation, Inc., and a Director of Caiñaman Farms, Inc. He attended the University of the Philippines – Los Baños College of Agriculture and California Polytechnic College in San Luis, Obispo, U.S.A.

Ramon S. Ang is the Vice Chairman since January 28, 1999, President and Chief Operating Officer since March 6, 2002 of the Company. He is also a Member of the Executive Committee and Nomination and Hearing Committee of the Company. He also holds the following positions in other publicly listed companies: President and Chief Executive Officer of Top Frontier Investment Holdings Inc. and Petron Corporation; Chairman of San Miguel Brewery Inc. and San Miguel Brewery Hong Kong Limited (listed in the Hong Kong Stock Exchange), and Liberty Telecoms Holdings Inc.; Vice Chairman of Ginebra San Miguel, Inc., and San Miguel Pure Foods Company, Inc. He is also the Chairman and CEO of SMC Global Power Holdings Corp., Chairman and President of San Miguel Holdings Corp., San Miguel Equity Investments Inc., San Miguel Properties, Inc., Philippine Oriental Realty Development, Inc. and Atea Tierra Corporation; and Chairman of Sea Refinery Corporation, San Miguel Foods, Inc., San Miguel Yamamura Packaging Corporation, Clariden Holdings, Inc., Anchor Insurance Brokerage Corporation, and Philippine Diamond Hotel & Resort, Inc. He is also the sole shareholder and Director of Master Year Limited and Chairman of Privado Holdings, Corp. He also formerly held the following positions: President and Chief Operating Officer of PAL Holdings, Inc. and Philippine Airlines, Inc.; Director of Air Philippines Corporation; Chairman of Cyber Bay Corporation; and Vice Chairman and Director of

Manila Electric Company. Mr. Ang has held directorships in various domestic and international subsidiaries of SMC in the last five years. He has a Bachelor of Science degree in Mechanical Engineering from Far Eastern University.

Estelito P. Mendoza was first elected as Director of the Company on October 30, 1991 and served until April 21, 1993. He was re-elected as Director on April 21, 1998 up to the present. He is a Member of the Executive Committee, Audit Committee, and the Chairman of the Nomination and Hearing Committee of the Company. He is also a Director of Petron Corporation, Philippine Airlines, Inc. and Philippine National Bank; and Chairman of Prestige Travel, Inc. He was formerly a director of the Manila Electric Company. Atty. Mendoza, a former Solicitor General, Minister of Justice, Member of the Batasang Pambansa and Governor of the Province of Pampanga, heads the E.P. Mendoza Law Office, and was also formerly Chairman of Dutch Boy Philippines, Inc. and Alcorn Petroleum and Minerals Corporation, and Director of East-West Bank. He graduated from the University of the Philippines College of Law *cum laude*. He also holds a Master of Laws degree from Harvard Law School.

Leo S. Alvez has been a Director of the Company since February 27, 2002 and a Member of the Audit Committee and Nomination and Hearing Committee of the Company. He is also a Director of Ginebra San Miguel, Inc. and a former Director of San Miguel Pure Foods Company, Inc., both of which are publicly-listed companies. Ret. Major General Alvez is a former Security Consultant to the Prosecution Panel of the Senate Impeachment Trial of President Joseph Estrada (2000-2001), Vice Commander of the Philippine Army (1998), and Division Commander of the 7th Infantry Division (1996-1998). He is a graduate of the Philippine Military Academy and has a Masters in Business Administration degree from the University of the Philippines.

Aurora T. Calderon has been a director of the Company since June 10, 2014. She is also the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of SMC since January 20, 2011. She is a Member of the Executive Compensation Committee of the Company. She holds the following positions in other publicly-listed companies, namely: Director and Treasurer of Top Frontier Investment Holdings, Inc.; and Director of Petron Corporation. She is also a member of the board of directors of SMC Global Power Holdings Corp., Petron Marketing Corporation, Petron Freeport Corporation, New Ventures Realty Corporation, Las Lucas Construction and Development Corp., Thai San Miguel Liquor Co., San Miguel Equity Investments, Inc., Bank of Commerce, and Kankiyo Corporation. She was formerly a Director of PAL Holdings, Inc., Philippine Airlines, Inc., Trustmark Holdings Corporation, Zuma Holdings and Management Corporation, Air Philippines Corporation, and Manila Electric Company. A certified public accountant, Ms. Calderon graduated from the University of the East with a degree in BS Business Administration, major in Accountancy, magna cum laude. In addition, Ms. Calderon holds directorships in various SMC domestic and international subsidiaries.

Joselito D. Campos, Jr. has been a Director since May 31, 2010. He is a member of the Executive Compensation Committee. He is the Managing Director and Chief Executive Officer of Del Monte Pacific Ltd.; President and Chief Executive Officer of Del Monte Philippines, Inc. He is also the Chairman and Chief Executive Officer of the NutriAsia Group of Companies, Chairman of Fort Bonifacio Development Corp. and Vice Chairman of Ayala Greenfield Development Corp. He is also a Director of FieldFresh Foods (Pvt.) Ltd. He was the former Chairman and Chief Executive Officer of United Laboratories, Inc. and its regional subsidiaries and affiliates. He is also the Honorary Consul in the Philippines for the Republic of Seychelles. He is Chairman of the Metropolitan Museum of Manila and a Trustee of the Asia Society in the Philippines, the Philippines-China Business Council, the Philippine Center for Entrepreneurship and a member of the WWF (World Wildlife Fund) for Nature - Philippines. He graduated with a degree in BS Commerce, Major in International Business from the University of Santa Clara, California and a Masters in Business Administration from Cornell University, New York.

Ferdinand K. Constantino has been a Director of the Company since May 31, 2010. He is a Member of the Executive Committee, Audit Committee, Executive Compensation Committee and Nomination and Hearing Committee. He is Senior Vice President, Chief Finance Officer and Treasurer of the Company. He also holds, among others, the following positions in other publicly-listed companies: Director of San Miguel Brewery Inc., Top Frontier Investment Holdings Inc., and Petron Malaysia Refining & Marketing Bhd, a company publicly listed in Malaysia. He is also the Director and Vice Chairman of SMC Global Power Holdings Corp., President of Anchor Insurance Brokerage Corporation; Director of San Miguel Yamamura Packaging Corporation, Citra Metro Manila Tollways Corporation and Northern Cement Corporation; and Chairman of the San Miguel Foundation, Inc. He was formerly a Director of PAL Holdings, Inc., and Philippine Airlines, Inc., Ginebra San Miguel Inc. and San Miguel Foods Inc. Mr. Constantino previously served San Miguel Corporation as Chief Finance Officer of the San Miguel Beer Division (1999-2005) and as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009); Director of San Miguel Properties, Inc. (2001-2009); and Concurrent Chief Finance Officer of Manila Electric Company (2009). He has held directorships in various domestic and international subsidiaries of SMC during the last five years. He holds a degree in AB Economics from the University of the Philippines and completed academic requirements for an MA Economics degree.

Menardo R. Jimenez has been a Director of the Company since February 27, 2002 and the Chairman of the Executive Compensation Committee and a Member of the Executive Committee of the Company. He is also a Director of San Miguel Pure Foods Company, Inc., a publicly-listed company, and Magnolia, Inc. His other positions include: Chairman of the United Coconut Planters Bank; President and Chief Executive Officer of Albay-Agro Industrial Corporation; Chairman of Majent Management and Development Corporation; Chairman of Fibers Tradings, Inc., Coffee Bean and Tea Leaf Holdings, and Meedson Properties Corporation, among others. He is a graduate of Far Eastern University with a degree of Bachelor of Science in Commerce and is a certified public accountant.

Alexander J. Poblador has been a Director of the Company since September 1, 2009 and a member of the Nomination and Hearing Committee of the Company. He is the Founding Partner and Chairman of the Executive Committee of Poblador Bautista & Reyes Law Office. Atty. Poblador is a practicing lawyer, specializing in the fields of commercial litigation, international arbitration, real estate finance and project development, bankruptcy and corporate reorganization. He is a graduate of the University of the Philippines with a degree in Bachelor of Laws *cum laude*, class valedictorian, and Bachelor of Arts in Political Science *cum laude*. He also holds a Master of Laws degree from the University of Michigan, at Ann Arbor, School of Law (De Witt Fellow).

Horacio C. Ramos has been a Director of the Company since June 10, 2014. He is the President of Clariden Holdings, Inc. He was formerly the Secretary of the Department of Environment and Natural Resources from February to June 2010, Director of Mines and Geosciences Bureau from 2006 to 2010. He holds the degree of Bachelor of Science in Mining Engineering from the Mapua Institute of Technology in 1967, a Graduate Diploma in Mining and Mineral Engineering from the University of New South Wales, Australia in 1976, and a Master of Engineering in Mining Engineering also from the University of New South Wales, Australia in 1978.

Thomas A. Tan was elected as a Director of the Company on June 14, 2012. He is the President and General Manager of SMC Shipping and Lighterage Corporation; and President of Saturn Cement Corporation and Sakamoto International Packaging Corp. He is also a Director of San Miguel Foods, Inc. He obtained a degree in Bachelor of Science, major in Physics in 1974 from the Ateneo de Manila University and a Masters in Business Management from the Asian Institute of Management in 1976. He is likewise a Director of other affiliates of the Company.

Iñigo Zobel has been a Director of the Company since October 2009 and was an Independent Director of the Company from May 5, 1999 until October 2009. He is a Member of the Executive Committee of the Company. He holds the position of Chairman of Top Frontier Investment Holdings Inc., a publicly-listed company. He is also the Chairman of IZ Investment Holdings, Inc., E. Zobel, Inc. and Zygnnet Prime Holdings Inc.; Director of E. Zobel Foundation, Inc. Calatagan Golf Club, Inc., Calatagan Bay Realty, Inc., Hacienda Bigaa, Inc., MERMAC, Inc., among others. He was formerly a Director of PAL Holdings, Inc. and Philippine Airlines, Inc., and President and Chief Operating Officer of Air Philippines Corporation. He was formerly an Independent Director of San Miguel Brewery Inc., San Miguel Pure Foods Company, Inc., San Miguel Properties, Inc., and Ginebra San Miguel, Inc. He attended Santa Barbara College, California, U.S.A.

Winston F. Garcia has been a Director of the Company since February 1, 2001, and a Member of the Audit Committee and Executive Compensation Committee of the Company. He has been an independent director of the Company since May 9, 2006. He is currently the President of Golden Garfields Development Corporation. Atty. Garcia is the former President and General Manager of the Government Service Insurance System and was Vice Chairman of its Board of Trustees. He also held the following positions: Chairman of the National Reinsurance Corporation of the Philippines, GSIS Mutual Fund, Inc., Asean Forum, Incorporated and Philippine Social Security Association; Director of Philippine National Construction Corporation, and Philippine Health Insurance Corporation; Board Member of Asean Social Security Association; and a Member of the International Insurance Society, Inc., International Social Security Association, and Federation of Afro Insurers and Reinsurers. Atty. Garcia has been a practicing lawyer since 1983. He is a graduate of the San Beda College of Law, and has a Bachelor of Arts in Philosophy from the University of Santo Tomas and Associate in Arts degree in Southwestern University.

Reynato S. Puno was elected to the Board as an Independent Director of the Company on January 20, 2011 and a Member of the Executive Compensation Committee and Nomination and Hearing Committee of the Company. He is also an independent director of San Miguel Brewery Hong Kong Ltd., a company publicly listed in the Hong Kong Stock Exchange and Union Bank of the Philippines, Inc. He is also the President of the Philippine Bible Society, Chairman of the Gerry Roxas Foundation and Environmental Heroes Foundation; Vice Chairman of World Vision and the and GMA Kapuso Foundation; Director of Marcventure Holdings, Inc., and The New Standard. He was the Chief Justice of the Supreme Court from December 6, 2006 until his retirement on May 17, 2010. He joined the Supreme Court as an Associate Justice on June 1993. He completed his Bachelor of Laws from the University of the Philippines in 1962, and has a Master of Laws degree from the University of California in Berkeley (1968) and a Master in Comparative Law degree from the Southern Methodist University, Dallas, Texas (1967).

Margarito B. Teves was elected as an Independent Director of the Company on June 14, 2012 and is the Chairman of the Audit Committee. He is also an Independent Director of Petron Corporation, a publicly listed company, Atlantic Aurum Investments Philippine Corporation, AB Capital Investment Corp., Alphaland Corporation, Alphaland Balesin Island Club, Inc., The City Club at Alphaland Makati Place, Inc., and Atok-Big Wedge Corporation. He is also the Managing Director of The Wallace Business Forum and Chairman of Think Tank Inc. He was Secretary of the Department of Finance of the Philippine government from 2005 to 2010, and was previously President and Chief Executive Officer of the Land Bank of the Philippines from 2000 to 2005, among others. He holds a Master of Arts in Development Economics from the Center for Development Economics, Williams College, Massachusetts and is a graduate of the City of London College, with a degree of Higher National Diploma in Business Studies which is equivalent to a Bachelor of Science in Business Economics.

Reynaldo G. David is an incoming Independent Director of the Company. He is also an independent director of Petron Corporation (a publicly listed company) since 2009 and serves as its concurrent Chairman of the Audit and Risk Management Committee and the Nomination Committee and likewise a member of the Compensation Committee. He has previously held, among others, the following positions: President and Chief Executive Officer of the Development Bank of the Philippines; Chairman of NDC Maritime Leasing Corporation; and Director of DBP Data Center, Inc. and Al-Amanah Islamic Bank of the Philippines. A certified public accountant since 1964, he graduated from the De La Salle University with a combined Bachelor of Arts and Bachelor of Science in Commerce degrees in 1963 and attended the Advanced Management Program of the University of Hawaii (1974). He was conferred with the title Doctor of Laws, *honoris causa*, by the Palawan State University in 2005 and the title Doctor of Humanities, *honoris causa*, by the West Visayas State University in 2009.

Officers

Name	Age	Citizenship	Position
Ferdinand K. Constantino	64	Filipino	Senior Vice President – Chief Finance Officer
Virgilio S. Jacinto	59	Filipino	Senior Vice President – General Counsel, Compliance Officer and Corporate Secretary
Joseph N. Pineda	52	Filipino	Senior Vice President – Deputy Chief Finance Officer
Aurora T. Calderon	61	Filipino	Senior Vice President – Senior Executive Assistant to the Office of the President and Chief Operating Officer
Sergio G. Edeza	58	Filipino	Senior Vice President – Head of Treasury
Lorenzo G. Formoso III	54	Filipino	Senior Vice President – Head of Infrastructure Business

Virgilio S. Jacinto is the Corporate Secretary, Senior Vice-President and General Counsel and Compliance Officer of SMC (since October 2010). He is also the Corporate Secretary and Compliance Officer of Top Frontier Investment Holdings, Inc. and Ginebra San Miguel, Inc. He was formerly the Vice President and First Deputy General Counsel from 2006 to 2010 and appointed as SMC General Counsel in 2010. He was Director and Corporate Secretary of United Coconut Planters Bank, Partner at Villareal Law Offices and Associate at SyCip, Salazar, Feliciano & Hernandez Law Office. Mr. Jacinto is an Associate Professor at the University of the Philippines, College of Law. He obtained his law degree from the University of the Philippines *cum laude* where he was the class salutatorian and placed sixth in the 1981 bar examinations. He holds a Master of Laws degree from Harvard Law School. He holds various directorships in various local and offshore subsidiaries of SMC.

Joseph N. Pineda is the Senior Vice President and Deputy Chief Finance Officer of SMC. He was formerly Vice President prior to his promotion on July 27, 2010 and has been the Deputy Chief Finance Officer since December 2005. He was previously Special Projects Head of SMC since January 2005. He is a director of Ginebra San Miguel Inc. and the Philippine Dealing System Holdings, Corp. Mr. Pineda has a degree of Bachelor of Arts in Economics from San Beda College and obtained units towards a Masters in Business Administration degree from De La Salle University. In addition, Mr. Pineda holds directorships in various SMC domestic and international subsidiaries.

Sergio G. Edeza is the Senior Vice President and Head of Treasury of SMC. Prior to joining SMC, Mr. Edeza was a Director of Merchant's Bank (2008), President (2007) and Director (2008) of Money Market Association of the Philippines, Executive Vice President and Treasurer of Rizal Commercial Banking Corporation, Treasury Consultant of YGC Corporate Services, and President and CEO of PhilEXIM Guarantee Corporation. He was also Treasurer of the Republic of the Philippines from February 16, 2001 to February 16, 2004. Mr. Edeza is a Certified Public

Accountant and a Career Service Professional. He obtained his Bachelor of Science in Commerce degree and Master of Business Administration degree from the De La Salle University, and was accepted at the John F. Kennedy School of Government at Harvard University.

Lorenzo G. Formoso III is the Senior Vice President, OIC – Infrastructure Projects/Regulatory and Legal Officer for Telco and SMEC. Previously, he was a consultant of the Company for Infrastructure, Transportation and Telecommunications from July 2009 to August 2010. He was previously Assistant Secretary of the Department of Transportation and Communication of the Philippine Government from September 2006 to June 2009 and Deputy Commissioner of the Commission on Information and Communications Technology. He obtained his Juris Doctor degree from University of California, Davis School of Law and a degree in Bachelor of Arts in Philosophy from the University of the Philippines.

Term of Office

Pursuant to the Company's By-laws, the directors are elected at each annual stockholders meeting by stockholders entitled to vote. Each director holds office until the next annual election and his successor is duly elected, unless he resigns, dies or is removed prior to such election.

The nominees for election to the Board of Directors on June 14, 2016 are as follows:

1. Eduardo M. Cojuangco, Jr.
2. Ramon S. Ang
3. Leo S. Alvez
4. Aurora T. Calderon
5. Joselito D. Campos, Jr.
6. Ferdinand K. Constantino
7. Menardo R. Jimenez
8. Estelito P. Mendoza
9. Alexander J. Poblador
10. Horacio C. Ramos
11. Thomas A. Tan
12. Iñigo Zobel
13. Reynaldo G. David – Independent Director
14. Reynato S. Puno – Independent Director
15. Margarito B. Teves – Independent Director

Independent Directors

The incumbent independent directors of the Company are as follows:

1. Winston F. Garcia
2. Reynato S. Puno
3. Margarito B. Teves

The incumbent directors have certified that they possess all the qualifications and none of the disqualifications provided for in the SRC. The Certifications of the incumbent directors are attached hereto as **Annexes “A-1”, “A-2”, and “A-3”**.

The nominees for election as independent directors of the Board of Directors on June 14, 2016 are as follows:

Nominee for Independent Director (a)	Person/Group recommending nomination (b)	Relation of (a) and (b)
Reynaldo G. David	Ramon S. Ang	None
Reynato S. Puno	Ramon S. Ang	None
Margarito B. Teves	Ramon S. Ang	None

In approving the nominations for independent directors, the Nominations Committee took into consideration the guidelines and procedures on the nomination of independent directors prescribed in SRC Rule 38.

The nominations for the election of all directors by the stockholders shall be submitted in writing to the Board of Directors through the Corporate Secretary on or before such date that the Board of Directors may fix, provided that such date shall be prior to the stockholders' meeting.

The nominations are forwarded to the Nominations Committee which shall pre-screen the qualifications of the nominees and prepare a final list of nominees eligible for election. No other nominations are entertained after the final list of candidates is prepared.

Under Section 2, Article III of the Company's By-laws, (i) any stockholder having at least five thousand (5,000) shares registered in his name may be elected Director, and (ii) a person engaged in any business which competes with or is antagonistic to that of the Company as defined in Section 2, Article III of the Company's By-laws is not qualified or eligible for nomination or election to the Board of Directors.

All the nominees for election to the Board of Directors satisfy the mandatory requirements specified under the provisions of Section 2, Article III of the Company's By-laws.

Significant Employees

The Company has no employee who is not an executive officer but who is expected to make a significant contribution to the business.

Family Relationships

There are no family relationships up to the fourth civil degree either by consanguinity or affinity among the Company's directors, executive officers or persons nominated or chosen by the Company to become its directors or executive officers.

Certain Relationships and Related Transactions

There were no transactions with directors, officers or any principal stockholders (owning at least 10% of the total outstanding shares of the Company) which are not in the Company's ordinary course of business.

Involvement in Certain Legal Proceedings

None of the directors, nominees for election as director, executive officers or control persons of SMC have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in SMC.

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The aggregate compensation paid or incurred during the last two (2) fiscal years and estimated to be paid in the ensuing fiscal year to the Chief Executive Officer and senior executive officers of the Company are as follows:

NAME	YEAR	SALARY	BONUS	OTHERS	TOTAL
Total Compensation of the Chief Executive Officer and Senior Executive Officers ⁸	2016 (estimated)	₱194.5 Million	₱146.2 Million	₱43.6 Million	₱384.3 Million
	2015	₱187.0 Million	₱124.3 Million	₱51.1 Million	₱362.4 Million
	2014	₱174.6 Million	₱199.7 Million	₱48.1 Million	₱422.4 Million
All other officers and directors as a group unnamed	2016 (estimated)	₱185.5 Million	₱53.3 Million	₱43.4 Million	₱282.2 Million
	2015	₱156.6 Million	₱60.4 Million	₱38.1 Million	₱255.1 Million
	2014	₱136.3 Million	₱61.2 Million	₱32.5 Million	₱230.0 Million
Total	2016 (estimated)	₱380.0 Million	₱199.5 Million	₱87.0 Million	₱666.5 Million
	2015	₱343.6 Million	₱184.7 Million	₱89.2 Million	₱617.5 Million
	2014	₱310.9 Million	₱260.9 Million	₱80.6 Million	₱652.4 Million

Section 10 of 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 therefrom 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. The Company provides each director with reasonable per diem of ₱50,000 and ₱20,000 for each Board and Committee meeting attended, respectively.

The Long-Term Incentive Plan for Stock Options (“LTIP”) of the Company grants stock options to eligible senior and key management officers of the Company as determined by the Committee administering the said Plan. Its purpose is to further and promote the interests of the Company and its shareholders by enabling the Company to attract, retain and motivate senior and key management officers, and to align the interests of such officers and the Company's shareholders.

On March 1, 2007, the Company approved the grant of options to 822 executives consisting of 18.31 million shares. On June 25, 2009 and 26, 2008, the Company approved the grant of options to 755 executives consisting of 5.777 million shares and to 742 executives consisting of 7.46 million shares, respectively.

Options to purchase 13,278,578 shares and 6,801,369 shares in 2014 and 2015, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled about 140,928 and 379,844 shares in 2014 and 2015, respectively.

⁸ The Chief Executive Officer and senior executive officers of the Company for 2016 are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, and Joseph N. Pineda, while for 2015, and 2014, they are Eduardo M. Cojuangco, Jr., Ramon S. Ang, Ferdinand K. Constantino, Aurora T. Calderon, Virgilio S. Jacinto, and Joseph N. Pineda.

As of March 31, 2016, the outstanding options under the LTIP held by the Chief Executive Officer and Senior Executive Officers of the Company are 3,995,981 common shares, while those held by all officers and middle managers as a group total 2,673,611 common shares.

There were no employment contracts between the Company and a named executive officer.

There were neither compensatory plans nor arrangements with respect to a named executive officer.

ACTION WITH RESPECT TO REPORTS

The approval of the following will be considered and acted upon at the meeting:

1. Management Report of the Company for the year ended December 31, 2015;
2. Minutes of the 2015 Annual Stockholders' Meeting with the following items:
 - (a) Certification of Notice and Quorum
 - (b) Approval of the Minutes of the Regular Stockholders' Meeting held on June 10, 2014
 - (c) Presentation of the Annual Report
 - (d) Ratification of Acts and Proceedings of the Board of Directors and Corporate Officers
 - (e) Approval of the Reclassification of 810,000,000 Series "1" Preferred Shares to Series "2" Preferred Shares in the Authorized Capital Stock, and Issuance of Series "2" Preferred Shares
 - (f) Approval of the Amendment to Article VII of the Amended Articles of Incorporation of the Company
 - (g) Appointment of External Auditors
 - (h) Election of the Board of Directors
 - (i) Other Matters
 - (j) Adjournment
3. Ratification of all the acts of the Board of Directors and Officers since the 2015 Annual Stockholders' Meeting which include:
 - a) Approval of:
 - i. the issuance and offer for sale to the public and investors, and listing of 446,667,000 Series "2" Preferred Shares of the Corporation, at an issue price of ₱75.00 per share, to be issued in up to three (3) subseries; filing of a Registration Statement and Prospectus with the Securities and Exchange Commission; and the engagement of the services of underwriters, advisors, legal counsels, stock and transfer agent, receiving agent/bank, and other agents as may be necessary, proper or desirable to effect the offering;
 - ii. the redemption of Series "2" Preferred Shares – Subseries A at a redemption price of ₱75.00 per share plus any unpaid cash dividends; and
 - iii. the shelf registration and listing of up to Php80 billion worth of Series "2" Preferred Shares, at an offer price of ₱75.00 per share, or 1,066,000,000 Series "2" Preferred Shares, to be issued for a period of three (3) years with an initial

offering of up to Php30 billion worth of Series “2” Preferred Shares, at an offer price of P75 per share, or 400,000,000 Series “2” Preferred Shares; filing of the appropriate Registration Statement and Prospectus with the Securities and Exchange Commission; and the engagement of the services of underwriters, advisors, legal counsels, stock and transfer agent, receiving agent/bank, and other agents as may be necessary, proper or desirable to effect the offering.

- b) Declaration of cash dividends for the common shares, the Series “1” Preferred Shares, and the Series “2” Preferred Shares;
- c) Appointment of corporate officers; and
- d) Approval of signing authorities and limits.

Minutes of the 2015 Annual Stockholders' Meeting and resolutions of the Board of Directors since the date of the 2015 Annual Stockholders' Meeting will be available for examination during office hours at the Office of the Corporate Secretariat.

VOTING PROCEDURES

For the election of directors, the 15 nominees with the greatest number of votes will be elected as directors.

Shareholders vote *viva voce*, unless a motion to cast votes by ballot is made and duly seconded, and approved by the majority of the shareholders present or represented at the meeting as the method of voting for any or all of the proposals or matters submitted to a vote at the meeting.

In all proposals or matters for approval except for election of directors, each share of stock entitles its registered owner (who is entitled to vote on such particular matter) to one vote. In case of election of directors, cumulative voting as set out in page 4 of this Information Statement shall be adopted.

Counting of the votes will be done by the Corporate Secretary or Assistant Corporate Secretaries with the assistance of the independent auditors and the stock transfer agent of the Company.

FINANCIAL AND OTHER INFORMATION

Brief Description of the General Nature and Business of the Company

San Miguel Corporation (“SMC”, the “Parent Company”), together with its subsidiaries (collectively referred to as the “Group”), is one of the largest and most diversified conglomerates in the Philippines by revenues and total assets, with sales of about 5.1% of the Philippine gross domestic product in 2015.

Originally founded in 1890 as a single-product brewery in the Philippines, SMC has transformed itself from a market-leading beverage, food and packaging business with a globally recognized beer brand, into a diversified conglomerate with market-leading businesses and investments in the fuel and oil, energy, power, infrastructure, telecommunications and banking industries. SMC owns a portfolio of companies that is tightly interwoven into the economic fabric of its home market, benefiting from and contributing to the development and economic progress of the Philippines. The common shares of SMC were listed on November 5, 1948 at the Manila Stock Exchange, now The Philippine Stock Exchange, Inc. (“PSE”).

In 2007, in light of the opportunities presented by the global financial crisis, the ongoing program of asset and industry privatization of the Philippine government, the strong cash position of SMC enhanced by recent divestments and the strong cash flow generated by its established businesses, SMC undertook an aggressive business diversification program. The program channeled the resources of SMC into what it believes are attractive growth sectors, aligned with the development and growth of the Philippine economy. SMC believes this strategy will achieve a more diverse mix of sales and operating income, and better position for SMC to access capital, present different growth opportunities and mitigate the impact of downturns and business cycles.

Since January 2008, SMC has either directly, or through its subsidiaries, made a series of acquisitions in the fuel and oil, energy, power, infrastructure, telecommunications and banking industries.

Through the partnerships it has forged with major international companies, the SMC Group has gained access to the latest technologies and expertise, enhancing its status as a world-class organization. The Parent Company has strategic partnerships with international companies; among them are Kirin Holdings Company, Limited for beer, Hormel Foods International Corporation for processed meats, Nihon Yamamura Glass Company, Ltd. (“NYG”) for packaging products, Padma Fund L.P. for toll roads and Super Coffee Corporation Pte Ltd (“SCCPL”) for coffee.

SMC, through its subsidiaries and affiliates, has become a Philippine market leader in its businesses with 18,586 regular employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2015. SMC’s product portfolio includes beer, liquor, non-alcoholic beverages, poultry, animal feeds, flour, fresh and processed meats, dairy products, coffee, various packaging products and a full range of refined petroleum products, most of which are market leaders in their respective markets. In addition, the SMC Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Description of Businesses

Core Businesses

Beverage

The beverage business consists of brewing, distilling, selling, marketing and distributing beer, liquor and non-alcoholic beverages. SMC conducts its beverage business through its majority-owned subsidiaries: San Miguel Brewery Inc. (SMB) for beer and Ginebra San Miguel Inc. (GSMI) for liquor and non-alcoholic beverages.

SMB is primarily engaged in the manufacture and sale of fermented and malt-based beverages, particularly beer of all kinds and classes. SMB, a majority-owned subsidiary of SMC, is the largest producer of beer in the Philippines with six production facilities strategically located across the Philippines and a highly developed distribution system serving approximately 450,000 on-premise and off-premise outlets nationwide

In addition to its Philippine beer operations, SMB has brewery and sales operations in Hong Kong, Indonesia, Thailand and Vietnam, and two breweries in China through its wholly - owned subsidiary, San Miguel Brewing International Ltd. (SMBIL). SMBIL also exports its beer products to over 30 countries and territories worldwide. SMBIL’s exports are primarily sold under various beer brands as well as under private labels. In addition, SMB has recently acquired the non-alcoholic beverage business of GSMI.

The SMC Group also produces hard liquor through its majority-owned subsidiary, GSMI. GSMI is one of the largest gin producers in the world by volume with some of the most recognizable brands in the Philippine liquor market. It operates one distillery, five liquor bottling plants and one cassava starch milk plant, and has engaged two toll bottlers strategically located throughout the Philippines and one bottling and distillery plant in Thailand.

GSMI distributes its products by shipping directly to dealers. GSMI has recently streamlined its distribution network by reorganizing its network of dealers by assigned geographic areas. The reorganization was designed to enhance the efficiency of the distribution network by having fewer but larger dealers. GSMI had 91 dealers for its liquor products. GSMI uses third-party services in the warehousing and delivery of its products.

Food

The food operations of SMC holds numerous market leading positions in the Philippine food industry, offering a broad range of high – quality food products and services to household, institutional and food service customers. The food business is conducted through San Miguel Pure Foods Company, Inc. (SMPFC). SMPFC was formed in 2001 integrating the Philippines’ two leading food groups – the food businesses of SMC and Pure Foods Company. SMPFC is an 85.37%-owned business of SMC that manufactures and markets processed meat products.

SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution. In the last quarter of 2013, SMPFC, through its wholly-owned subsidiary, San Miguel Mills, Inc. (SMMI), commenced operations of the Golden Bay Grain Terminal Corporation (GBGTC) in Mabini, Batangas capable of accommodating panamax vessels. In addition to its Philippine operations, the food business is also present in Indonesia and Vietnam.

SMPFC is a leading Philippine food company with market-leading positions in many key products and offers a broad range of high-quality food products and services to household, institutional and foodservice customers in the Philippines. SMPFC has some of the most recognizable brands in the Philippine food industry, including *Magnolia* for chicken, ice cream and dairy products, *Monterey* for fresh and marinated meats, *Purefoods* for refrigerated processed meats and canned meats, *Star* and *Dari Crème* for margarine, *San Mig Coffee* for coffee, *B-Meg* for animal feeds and *La Pacita* for biscuit and flour-based snacks beginning February 2015. The support of intermediate parent company SMC and partnerships with major international companies like United States-based Hormel Foods International Corporation and Singapore-based SCCPL and Penderyn Pte Ltd. (“Penderyn”) have given SMPFC access to the latest technologies and expertise, allowing it to deliver flavor, freshness, safety, quality and value-for-money to its customers.

SMPFC operates and manages one of the most extensive distribution networks across the Philippines, with its products available in every major city. It has a multichannel distribution network that supplies its products to supermarkets and traditional retail outlets, trade, food service channels and franchised stores. For the value-added meats business, it centrally manages sales and distribution through San Miguel Integrated Sales (“SMIS”), which is the selling arm of SMPFC’s value-added products to both modern trades, such as major supermarket chains, hypermarkets, groceries, convenience stores, and general trades, market traders and “sari-sari” stores (small neighborhood stores). For its feeds, poultry, fresh meats and flour businesses, SMPFC maintains business-specific sales forces to service trade channels and manage its distributors and dealers. Great Food Solutions (“GFS”) of SMPFC, on the other hand, manages sales to key food service customers, such as hotels, restaurants, bakeshops, fast-food and pizza chains. Meanwhile, the distribution advantage of the feeds business lies in the strategic location of its production facilities, which are near primary markets or the major sources of its raw materials.

Packaging

The packaging business is a total packaging solutions business servicing many of the leading food, pharmaceutical, chemical, beverages, spirits and personal care manufacturers in the region. The packaging business is comprised of San Miguel Yamamura Packaging Corporation (“SMYPC”), San Miguel Yamamura Packaging International Limited (“SMYPIL”), San Miguel Yamamura Asia Corporation (“SMYAC”), SMC Yamamura Fuso Molds Inc., Can Asia, Inc. (“CAI”) and Mindanao Corrugated Fibreboard, Inc. (“Mincorr”), collectively referred to as the Packaging Group.

The Packaging Group has one of the largest packaging operations in the Philippines, producing glass, metal, plastic, aluminum cans, paper, flexibles, PET (Polyethylene Terephthalate) and other packaging products and services such as beverage tolling for PET bottles and aluminum cans. The packaging business is the major source of packaging requirements of the other business units of SMC. It also supplies its products to customers across the Asia-Pacific region, the United States, South Africa, Australia and the Middle East, as well as to major multinational corporations in the Philippines, including Coca-Cola Femsa Philippines, Inc., Nestle Philippines and Pepsi Cola Products Philippines, Inc.

The Packaging Group has 11 international packaging facilities located in China (glass, plastic and paper packaging products), Vietnam (glass and metal), Malaysia (composite, plastic films, woven bags and a packaging research center) and Australia (glass, trading, wine closures and bottle caps) and New Zealand (plastics and trading).

Aside from extending the reach of the packaging business overseas, these facilities serve the packaging requirements of SMB breweries in China, Vietnam, Indonesia and Thailand.

In January 2008, SMC finalized the joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialists, Inc. (SMPSI) and San Miguel Packaging International Limited (SMPIL).

Following the creation of the joint venture between SMPSI and NYG, SMPSI changed its corporate name to “San Miguel Yamamura Packaging Corporation”, as approved by the SEC on June 4, 2008. In addition, the BOD of SMPIL likewise approved the change in the corporate name of SMPIL to “San Miguel Yamamura Packaging International Limited” on January 3, 2008 and such change became effective on June 11, 2008.

SMYPC owns all of the domestic plants of the Packaging Group, except the corrugated carton plant, Mincorr and SMYAC, which is already an existing joint venture between SMC and NYG. SMYPIL’s subsidiaries are the Packaging Group’s international facilities.

In December 17, 2009, the Packaging Group through its international subsidiary, SMYPIL, acquired a 65% stake in JHK Investments Pty. Ltd., which owns 100% of Cospak Group, the largest packaging trading firm in Australia. As of October 2013, SMYPIL acquired the remaining shares in San Miguel Yamamura Knox, Pty. Ltd, now San Miguel Yamamura Australasia Pty. Ltd. (SMYA). Accordingly, SMYA is now wholly-owned by SMYPIL.

In January 2013, SMYPC finalized its joint venture with Can-Pack S.A. for its two-piece aluminum can manufacturing business. The strategic partnership through the joint-venture company, CAI, will modernize SMYPC’s aluminum can business while utilizing the know-how and technologies of Can Pack Group. It also aims to introduce various aluminum can packaging formats to the growing market in the Philippines and the Asia Pacific region.

On March 1, 2013, SMYPC acquired 104,500,000 common shares, equivalent to 35% equity interest in Northern Cement Corporation (NCC). NCC is primarily engaged in manufacturing, developing, processing, exploiting, buying and selling cement and/or other products derived therefrom.

On February 27, 2015, SMYPIL through its new Australian subsidiary, SMYV Pty Ltd, has completed the acquisition of Vinocor Worldwide Direct Pty. Ltd. (Vinocor). Vinocor is a market leader in the supply of corks and closures for wine bottles in Australia, with facilities and operations based in Adelaide, South Australia.

Real Estate

San Miguel Properties Inc. (“SMPI”) was created in 1990 initially as the corporate real estate arm of SMC. It is the primary property subsidiary of the SMC Group, currently 99.68% owned by SMC.

SMPI is presently engaged in commercial property development, sale and lease of real properties, management of strategic real estate ventures and corporate real estate services.

The first project of SMPI is the SMC Head Office Complex, now considered a landmark and a catalyst in transforming the area now known as the Ortigas Business District.

SMPI has expanded its portfolio, serving the high-end market with its foray into townhouse developments, such as Dover Hill in San Juan, One Dover View and Two Dover View in Mandaluyong, and Emerald 88 in Pasig. Other residential development are located in General Trias, Cavite and Sta. Rosa, Laguna.

The Makati Diamond Residences, a luxury serviced apartment across Greenbelt 5 in Legaspi Village, Makati City, is already operational as of 2015.

New Businesses

Energy

The energy business, which is conducted through SMC Global Power Holdings Corp. (“SMC Global”), is one of the leaders in the Philippine power generation industry in terms of installed capacity. SMC Global administers three power plants, located in Sual, Pangasinan (coal), Ilijan, Batangas (natural gas) and San Roque, Pangasinan (hydroelectric), with a combined capacity of 2,545 MW, pursuant to the IPPA agreements with PSALM and National Power Corporation of the Philippines.

SMC Global began acting as an IPPA of the Sual power plant in November 2009, the San Roque power plant in January 2010 and the Ilijan power plant in June 2010. SMC Global sells power through off take agreements either directly to customers, including Manila Electric Company and other distribution utilities, electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market (“WESM”).

In September 2013, SMC Powergen Inc., a subsidiary of SMC Global, acquired the 2 x 35 MW co-generation solid fuel fired plant of Petron located in Limay, Bataan. The plant added 140 MW to the total capacity of SMC Global. During the same period, SMC Global was awarded the winning concessionaire for the rehabilitation, operations and maintenance of Albay Electric Cooperative, located in Albay, Bicol. A new subsidiary, Albay Power and Energy Corp. (“APEC”) was created for this purpose.

In 2013, San Miguel Consolidated Power Corporation broke ground on the new coal-fired power plant in Malita, Davao and SMC Consolidated Power Corporation on another coal-fired power plant in Limay, Bataan, both of which will have an initial capacity of 300 MW each. These power plants are expected to be commercially available by 2016.

In 2014, PowerOne Ventures Energy Inc., a subsidiary of SMC Global, and Korea Water Resources Corporation (“K-Water”) entered into a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant awarded by PSALM to K-Water. This brought total installed capacity of SMC Global to 2,903 MW.

As of December 31, 2015, SMC Global is one of the largest power companies in the Philippines, which holds a 22.2% market share of the total installed power generation capacity for the Luzon power grid and a 16.5% market share of the national grid according to the Energy Regulatory Commission of the Philippines (“ERC”).

Fuel and Oil

SMC operates its fuel and oil business through Petron, which is involved in refining crude oil and marketing and distribution of refined petroleum products mainly in the Philippines and Malaysia. Petron is the number one integrated oil refining and marketing company in the Philippines, with a market share of 35.4% as of December 31, 2015, according to the Department of Energy of the Philippines (“DOE”). Petron participates in the reseller (service station), industrial, lube and liquefied petroleum gas sectors. In addition, Petron is also engaged in non-fuels business by earning income from billboards and locators, situated within the premises of the service stations.

In Malaysia, Petron holds a 17.1% share of the retail market as of September 30, 2015, based on Petron estimates and information from Fahrenheit Research (M) Sdn. Bhd (“Fahrenheit Research”), the market research consultant appointed by Malaysian retail market participants to compile industry data.

Petron owns and manages the most extensive oil distribution infrastructure with 30 depots, terminals and airport installations and approximately 2,200 retail service stations in the Philippines and 10 product terminals and more than 560 retail service stations in Malaysia. Petron also exports various petroleum products and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

Petron owns and operates a petroleum refining complex, with a capacity of 180,000 barrels per day located in Limay, Bataan Philippines. The refinery has its own piers and two offshore berthing facilities. In 2010, Petron started the upgrade of its refinery by undertaking the Petron Bataan Refinery Master Plan Phase-2 Upgrade (“RMP-2”) which was completed end of 2014. RMP-2 upgraded the Petron Bataan Refinery to a full conversion refining complex which further enhanced its operational efficiencies, converting its oil production into higher value products – gasoline, diesel, jet fuel and petrochemicals, making it comparable to highly complex refineries worldwide. The completion of RMP-2 made Petron the only oil company in the Philippines capable of producing Euro IV-standard fuels, the global clean air standards for fuels. Petron also owns a refinery in Malaysia with a capacity of 88,000 barrels per day.

Infrastructure

The infrastructure business, conducted through San Miguel Holdings Corp. (“SMHC”), consists of investments in companies that hold long-term concessions in the infrastructure sector in the Philippines. Current operating tollroads include the South Luzon Expressway (“SLEX”), Skyway Stage 1 and 2, the Southern Tagalog Arterial Road (“STAR”) and the Tarlac-Pangasinan-La Union Toll Expressway (“TPLEX”) tollways and ongoing tollroad projects are the NAIA Expressway (“NAIAx”) and the Skyway Stage 3. It also operates and is currently expanding Boracay Airport. In addition, it has the concession right to construct, operate and maintain the Mass Rail Transit Line 7 (“MRT-7”).

TPLEX

SMHC, through its subsidiary, Rapid Thoroughfares, Inc., owns a 70.11% equity interest in PIDC. PIDC is a company which holds a 35-year Build-Transfer-Operate (“BTO”) concession rights to construct, operate and maintain an 88.85 km toll expressway from La Paz, Tarlac, through Pangasinan, to Rosario, La Union.

The TPLEX expressway is expected to be integrated with other major expressways (including the North Luzon Expressway (NLEX) and Subic-Clark-Tarlac Expressway to expand the road/expressway network in and around Metro Manila by 325 km. Construction of the expressway began in October 2010.

On October 31, 2013, PIDC opened the first section from Tarlac to Gerona. The 49 km stretch from Gerona to Carmen was fully operational by April 2014. The 14 km stretch from Carmen to Urdaneta was fully operational starting March 17, 2015. On the other hand, the construction of Section 3A from Urdaneta to Pozorrubio is currently ongoing and this will extend up to Rosario, Pangasinan. This last section is targeted for completion by 2017.

SLEX and Skyway

On March 5, 2015, SMHC increased its shareholdings in AAIBV to 95% stake. AAIBV has the following shareholdings:

- 80% stake in South Luzon Tollway Corporation (“SLTC”), through MTD Manila Expressways, Inc., a wholly-owned subsidiary of AAIBV. SLTC holds a 30-year concession rights to operate the 36.1 km South Luzon Expressway (“SLEX”), one of the three (3) major expressways that link Metro Manila to Southern Luzon;
- 87.84% beneficial ownership in Citra Metro Manila Tollways Corporation (“CMMTC”), through Atlantic Aurum Investments Philippines Corporation, a wholly-owned subsidiary of AAIBV. CMMTC holds a 30-year concession to construct, operate and maintain the 29.59 km Skyway Stage 1 and 2 Project.

STAR Tollway

SMHC, through Cypress Tree Capital Investments, Inc. has an effective 100% interest in Star Infrastructure Development Corporation (“SIDC”). SIDC holds the 30-year BTO concession rights of the STAR Project consisting of: Stage 1 - operation and maintenance of the 22.16 km toll road from Sto. Tomas to Lipa City; and Stage 2 - financing, design, construction, operation and maintenance of the 19.74 km toll road from Lipa City to Batangas City.

NAIA Expressway

On May 31, 2013, SMHC incorporated Vertex Tollways Devt. Inc., a company that holds the 30-year BTO concession rights for the construction and operation of the NAIA Expressway (“NAIAx”) – a four (4) lane elevated expressway with end-to-end distance of 5.4 km that will provide access to NAIA Terminals 1, 2 and 3. NAIAx will connect to the Skyway system, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation.

The construction of the NAIAx is currently on its final stage with virtually the entire 5.4 km stretch set to be completed by second quarter of 2016. The section fronting NAIA Terminal 3 will remain under construction until the third quarter 2016.

Skyway Stage 3

On February 28, 2014, SMHC through AAIBV incorporated Stage 3 Connector Tollways Holdings Corporation, which holds an 80% ownership interest in Citra Central Expressway Corp. (“CCEC”). CCEC holds a 30-year concession to construct, operate, and maintain the Skyway Stage 3, an elevated roadway with the entire length of approximately 14.82 km from Buendia Avenue in Makati to Balintawak, Quezon City and will connect to the existing Skyway System. Skyway Stage 3 will inter-connect the southern and northern areas of Metro Manila, decongesting traffic and stimulating the growth of trade and industry in neighboring provinces.

This project is expected to be completed by the end of 2017.

Boracay Airport

SMC, through the 99.80% interest of SMHC in TADHC, is undertaking the expansion of Boracay Airport under a 25-year Build-Rehabilitate-Operate-Transfer concession granted by the Republic of the Philippines (“ROP”), through the Department of Transportation and Communications of the Philippines.

The rehabilitation of the existing terminal has already been completed. The extension of the Boracay Airport runway to 1.8 km, is now complete with jet operations expected to start by the second quarter of 2016. The improvements on the Boracay Airport will further expand its capacity as such improvements will allow for night landing. The construction of the new and bigger terminal is set to begin at around the same time to accommodate the projected increase in tourist arrivals.

MRT-7

In October 2010, SMC, through SMHC, acquired a 51% stake in ULC, which holds the 25-year Build-Gradual Transfer-Operate-Maintain concession for MRT-7. MRT-7 is a planned expansion of the Metro Manila mass transit rail system which mainly involves the construction of a 22 km mass rail transit system with 14 stations that will start from San Jose del Monte City and end at the integrated LRT-1/MRT-3/MRT-7 station at North EDSA and a 22-kilometer six-lane access road connecting the Intermodal Transport Terminal to the Bocaue exit of NLEX.

ULC will operate and manage the system on behalf of the Philippine government for 25 years and will gradually transfer ownership of the system to the Philippine government in proportion to semi-annual capacity fee payments received. On August 19, 2014, ULC received the Performance Undertaking issued by the Department of Finance.

Harbour Port

On December 9, 2015, shares of stock in Manila North Harbour Port, Inc. (MNHPI) were issued to SMHC, by virtue of which it had become a 43.33% owner of MNHPI. With the 35% equity interest held by Petron in MNHPI, the Group obtained control and consolidated MNHPI effective December 9, 2015.

MNHPI holds the concession rights to manage, operate, develop and maintain the Manila North Harbor and other port facilities for 25 years.

Telecommunications

SMC has made investments in the telecommunications sector in the Philippines through acquisitions of stakes in Liberty Telecoms Holdings, Inc. (LTHI), Bell Telecommunications Philippines, Inc. (BellTel) and Eastern Telecommunications Philippines, Inc. (ETPI).

Liberty Telecom

In 2010, SMC through its subsidiary, Vega Telecom Inc. (“Vega”), owns a 41.48% stake in LTHI, a telecommunications carrier listed in the PSE, offering data communications and data connectivity services. Vega increased its ownership in LTHI from 41.48% to 45.05% in April 2014, and to 45.58% in December 2014. As of September 2, 2015, Vega owns 97.46% of the total issued and outstanding shares of LTHI, inclusive of both common and preferred shares.

BellTel

Also, in 2010, Vega subscribed to the shares of stock equivalent to 100% of Two Cassandra-CCI Conglomerates, Inc., Power Smart Capital Limited, and Perchpoint Holdings, Corp. that collectively owns 100% of BellTel. In December 2014 and 2015, Vega made a direct additional investment to BellTel by subscribing to its unissued shares, thereby increasing direct ownership interest to 50%.

BellTel, which began commercial operations in 2002, offers an integrated package of services, including local and long distance telephony, high speed data connectivity and Internet. It has various licenses that include local exchange carrier, international gateway facility, inter-exchange carrier, very small aperture terminal, internet service provider, and wireless local loop telephone systems in various cities and municipalities in the National Capital Region of the Philippines. It is authorized to provide the full range of services throughout the Philippines. In 2014, BellTel acquired 100% of Dominer Pointe, Inc. (DPI) and Somete Logistics & Dev’t. Corp. (SLDC) from various individuals. DPI and SLDC are tower companies engaged in the business of conceptualization, construction, installation, establishment, operation, leasing, sale and maintenance, and rendering of specialty technical services for tower infrastructures to be utilized by telecommunication companies.

Eastern Telecom

In 2010, SMC, through Vega, acquired 100% of the outstanding and issued shares of stock of AGNP, the beneficial owner of approximately 40% of ETPI, inclusive of the existing businesses, investments and telecommunications service facilities of ETPI. On October 20, 2011, SMESI acquired an additional 37.7% of the outstanding and issued shares of stock of ETPI bringing its total indirect equity interest in ETPI to 77.7%.

Established more than 130 years ago, ETPI offers a full range of telecommunication services, including internet, data, voice and certain value added services. ETPI is a provider of voice data and internet services to the business process outsourcing market.

CobaltPoint Telecom (formerly, Express Telecommunication Company Inc.)

On December 4, 2015, Vega acquired 88.17% ownership in CobaltPoint Telecom, Inc. (CTI) through the acquisition of 100% equity interest in Trans Digital Excel Inc., which holds 78.45% equity interest in the total outstanding capital stock of CTI, and direct acquisition of 9.72% equity interest.

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

Banking

SMC, through SMPI, currently holds approximately 39.93% of the BOC, a commercial bank licensed to engage in banking operations in the Philippines.

Others

South Western Cement Corporation (SWCC)

On October 15, 2014, San Miguel Equity Investments, Inc. (SMEII) acquired from Clariden its 100% ownership interest in SWCC.

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.

SMEII, through SWCC has the exclusive right to conduct mining operations in 306.46 hectares of land and 505.7929 hectares of land both located in Lo-oc, Malabuyoc, Cebu pursuant to Mineral Production Sharing Agreement (“MPSA”) No. 059-96-VII and MPSA No. 060-96-VII, both executed on November 18, 1996 between the ROP and Lo-oc Limestone and Development Corporation (LLDC). LLDC subsequently assigned its rights, title and interest in and to the MPSAs to SWCC, which assignment was approved by the Mines and Geosciences Bureau on September 24, 1997.

The primary purpose of these MPSAs is to provide for the exploration, sustainable development and commercial utilization of limestone and other mineral deposits existing in the contract area, with all the necessary services, technology and financing to be provided by SWCC. The MPSAs have a term of 25 years from effective date, renewable for another 25 years.

The share of the ROP consists of an excise tax on mineral products as provided for in Republic Act No. 7729 amending Section 151(a) of the NIRC as amended. If minerals, other than limestone are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of the ROP.

Daguma Agro-Minerals, Inc., Bonanza Energy Resources, Inc. and Sultan Energy Phils. Corp.

SMC, through San Miguel Energy Corporation, owns 100% interest in three coal mining companies, namely Daguma Agro-Minerals, Inc., Bonanza Energy Resources, Inc. and Sultan Energy Phils. Corp., the concession holders of coal deposits in Southern Mindanao.

Financial Statements

The Audited Consolidated Financial Statements of the Company as of December 31, 2015, including the Company's Statement of Management's Responsibility, are attached hereto as **Annex "B"**. The Notes to the 2015 Audited Consolidated Financial Statements of the Company are in its annual report in CD format distributed to the shareholders.

Management's Discussion and Analysis or Plan of Operation

The Management's Discussion and Analysis or Plan of Operation of the Company as of December 31, 2015 is attached hereto as **Annex "C"**.

Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There are no disagreements with the Company's external auditors on accounting and financial disclosure.

Audit and Audit Related Fees

The Parent Company paid the external auditor the amount of P12 million and P10 million, respectively, for its services rendered in 2015 and 2014. Said fees include compensation for audit services and other related services such as audit review and research work. There were no fees paid to the external auditor for tax accounting, compliance, advice, planning, and any other form of tax services. There were no other fees paid to the auditors other than the above-described services.

The stockholders approve the appointment of the Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the Board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. Likewise, the Audit Committee evaluates and determines any non-audit work performed by external auditors, including the fees therefor, and ensures that such work will not conflict with External Auditors' duties as such or threaten its independence.

Market Price of and Dividends on the Company's Common Equity and Related Stockholder Matters

The Company's common shares, Series "1" preferred shares Series "2" preferred shares are traded in the Philippine Stock Exchange. The Company's high and low closing prices for each quarter of the last two (2) fiscal years and for the first quarter of 2016 are as follows:

2014								
	Series 2A		Series 2B		Series 2C		Common	
	High	Low	High	Low	High	Low	High	Low
1st	77.00	75.00	78.95	76.00	81.00	77.50	76.00	54.50
2nd	76.10	74.30	78.90	74.90	81.85	75.00	87.00	74.65
3rd	76.00	74.20	76.50	74.50	78.00	75.00	83.00	76.90
4th	76.90	75.30	79.00	76.00	82.50	77.00	78.95	72.00

2015														
	Series 2A		Series 2B		Series 2C		Series 2D		Series 2E		Series 2F		Common	
	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low
1st	76.80	75.00	89.50	78.00	84.50	78.00	-	-	-	-	-	-	81.00	66.70
2 nd	76.85	75.00	85.60	80.00	90.00	83.05	-	-	-	-	-	-	71.80	59.30
3 rd	76.00	74.00	85.05	76.00	89.00	79.00	80.00	76.00	78.80	76.50	80.00	77.10	60.60	43.50
4th	-	-	85.00	77.00	84.00	81.00	85.00	78.00	80.10	76.00	80.90	78.50	52.00	44.05

(Note: Series "2-A" redeemed on Sept. 21, 2015; Series "2-D", "2-E" and "2-F" issued and listed on Sept. 21, 2015.)

2016										
	Series 2B		Series 2C		Series 2D		Series 2E		Series 2F	
	High	Low	High	Low	High	Low	High	Low	High	Low
1st	81.00	76.00	83.00	78.50	79.00	75.35	79.50	75.50	80.00	75.80

2016								
	Series 2G		Series 2H		Series 2I		Common	
	High	Low	High	Low	High	Low	High	Low
1st	76.00	75.05	75.50	75.00	75.30	71.50	79.20	47.50

The closing prices as of April 5, 2016, the latest practicable trading date, are as follows:

Common	₱ 76.60
Series "2-B" Preferred	₱ 80.00 (March 31, 2016)
Series "2-C" Preferred	₱ 81.00
Series "2-D" Preferred	₱ 75.60 (April 4, 2016)
Series "2-E" Preferred	₱ 75.50
Series "2-F" Preferred	₱ 76.80
Series "2-G" Preferred	₱ 76.10
Series "2-H" Preferred	₱ 75.10
Series "2-I" Preferred	₱ 75.00

The approximate number of shareholders as of March 31, 2016 is 36,968

The top 20 common and preferred stockholders as of March 31, 2016 are as follows:

	STOCKHOLDER NAME	Common	Preferred S1	Preferred S2	Total Shares	% OF O/S
1	Top Frontier Investment Holdings, Inc.	1,573,100,340	0	0	1,573,100,340	40.85%
2	PCD Nominee Corporation (Filipino)	158,205,570	0	825,367,630	983,573,200	25.54%
3	Privado Holdings, Corp.	368,140,516	0	0	368,140,516	9.56%
4	PCD Nominee Corporation	34,475,335	0	285,754,560	320,229,895	8.32%
5	Metroplex Holdings Corporation	0	106,174,534	0	106,174,534	2.76%
6	Lucena Holdings Corporation	0	89,410,133	0	89,410,133	2.32%
7	Gingog Holdings Corporation	1,830,082	83,822,000	0	85,652,082	2.22%
8	PCD Nominee Corporation (Non-Filipino)	48,194,176	0	4,104,210	52,298,386	1.36%
9	PCGG in trust for the Comprehensive Agrarian Reform Program	27,636,339	0	0	27,636,339	0.72%
10	San Miguel Corporation Retirement Plan	15,001	0	26,435,700	26,450,701	0.69%
11	G & E Shareholdings, Inc.	0	0	15,000,000	15,000,000	0.39%
12	Millenium Energy, Inc.	10,807,380	0	0	10,807,380	0.28%
13	GSIS Provident Fund	0	0	3,966,700	3,966,700	0.10%
14	Sysmart Corporation	3,457,000	0	0	3,457,000	0.09%
15	Columbus Capitana Corporation	2,716,830	0	0	2,716,830	0.07%
16	Knights of Columbus Fraternal Association of the Phils., Inc.	0	0	2,329,000	2,329,000	0.06%
17	Marine Shore Investment Holdings, Inc.	2,089,660	0	0	2,089,660	0.05%
18	Petron Corporation Employees' Retirement Plan	0	0	2,000,000	2,000,000	0.05%
19	Everett Steamship Corporation	1,903,330	0	0	1,903,330	0.05%
20	Eduardo M. Cojuangco Jr.	1,718,679	0	0	1,718,679	0.04%
	TOTAL	2,234,290,238	279,406,667	1,164,957,800	3,678,654,705	95.531656%

Cash dividends declared by the Board of Directors of the Parent Company to common shareholders amounted to ₱1.40 per share both in 2015 and 2014.

Cash dividends declared by the Board of Directors of the Parent Company and paid to Series “1” preferred shareholders amounted to ₱3.167725 in 2015.

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

	2014	2015
Subseries “2-A”	₱5.625	₱4.21875
Subseries “2-B”	₱5.71875	₱5.71875
Subseries “2-C”	₱6.00	₱6.00
Subseries “2-D”	-	₱1.11433125
Subseries “2-E”	-	₱1.18603125
Subseries “2-F”	-	₱1.27635

Description of the following securities of the Group may be found in the indicated Notes to the 2015 audited Consolidated Financial Statements, attached herein as **Annex “B”**:

Equity	Note 25
Share-based transactions	Note 40

There were no securities sold by the Company within the past three (3) years which were not registered under the Securities Regulation Code (SRC), except for the issuance of shares under the LTIP and employee stock purchase plan of the Company in accordance with Section 10.2 of the SRC.

Independent Public Accountants

The accounting firm of R.G. Manabat & Co. served as the Company's external auditors for the last seven fiscal years. The Board of Directors will again nominate R.G. Manabat & Co., CPAs for re-appointment this fiscal year.

Representatives of R.G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire. R.G. Manabat & Co., then known as Manabat Sanagustin & Co., has been the Company's external auditors since 2006. In 2011 and again in 2013, R.G. Manabat & Co. changed the signing partner assigned to the Company, in compliance with SRC Rule 68 (3) (b) (iv) in respect of its engagement of R.G. Manabat & Co.

Compliance with Leading Practice on Corporate Governance

The evaluation by the Company to measure and determine the level of compliance of the Board of Directors and top level management with its Manual of Corporate Governance ("Manual") is vested by the Board of Directors on the Compliance Officer. The Compliance Officer is mandated to monitor compliance by all concerned with the provisions and requirements of the Manual. The Compliance Officer has certified that the Company has substantially adopted all the provisions of the Manual. Pursuant to its commitment to good governance and business practice, the Company continues to review and strengthen its policies and procedures, giving due consideration to developments in the area of corporate governance which it determines to be in the best interests of the Company and its stockholders. On April 14, 2010, the Board of Directors amended the Manual pursuant to the Revised Code of Corporate Governance issued by the SEC 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.

UNDERTAKING

On May 16, 2016, or at least fifteen (15) business days prior to the Annual Stockholders Meeting of the Company to be held on June 14, 2016, the Company shall upload an electronic copy of the SEC Form 17-Q for the period ending on March 31, 2016 (the "First Quarter SEC Form 17-Q"), both to the Company website and the PSE Edge Portal. The Company will publish in two (2) newspapers of general circulation of the posting of the First Quarter SEC Form 17-Q.

The Company undertakes, upon the written request of the stockholder, to furnish such stockholder free of charge with, at their option, a printed or electronic copy of SEC Form 17-A, and the First Quarter SEC Form 17-Q.

Written requests for copies of the SEC Form 17-A and First Quarter SEC Form 17-Q shall be addressed to the Office of the Corporate Secretary, 7/F SMC-HOC Building, No. 40 San Miguel Avenue, Mandaluyong City, Philippines, or via sent via email at smc_stsc@smg.sanmiguel.com.ph.

SIGNATURE

After reasonable inquiry and to the best of my knowledge and behalf, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Mandaluyong on May 2, 2016.

SAN MIGUEL CORPORATION

By:



Virgilio S. Jacinto
Corporate Secretary



106102015000268

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

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Company Name SAN MIGUEL CORP.

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 106102015000268

Document Type LETTER/MISC

Document Code LTR

Period Covered June 09, 2015

No. of Days Late 0

Department CED/CFD/CRMD/MRD/NTD

Remarks Cert. Of Independent Dir.
CGFD

COVER SHEET

P W - 2 7 7

S. E. C. Registration Number

S A N

M I G U E L

C O R P O R A T I O N

(Company's Full Name)

N O . 4 0 S A N M I G U E L A V E

M A N D A L U Y O N G C I T Y

M E T R O M A N I L A

P H I L I P P I N E S

(Business Address: No. Street City/Town/Province)

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

Certification of Independent
Director

2nd Tuesday of June

1 2

Month

3 1

Day

S E C - F O R M

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTORS

I, **WINSTON F. GARCIA**, Filipino, of legal age with address at No. 86 Juan Luna St., San Lorenzo Village, Makati City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of San Miguel Corporation.
2. I am affiliated with the companies or organizations listed in Annex "A" hereof.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of June 2015 at Mandaluyong City.


WINSTON F. GARCIA
Affiant

SUBSCRIBED AND SWORN to before me this 9th day of June 2015 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. EB71612732 issued at DFA-Cebu on January 15, 2013.

Doc. No. 94 ;
Page No. 20 ;
Book No. 61 ;
Series of 2015.


RICARDO B. BERNABE III
Commission No. 0416-14
Notary Public for Mandaluyong City
Until Dec. 31, 2015
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 61400
PTR No. 2253811; 01/07/15; Mandaluyong City
IBP Lifetime Member No. 011669; 03/08/13; RSM

Annex "A"

WINSTON F. GARCIA

Present Position:

- Senior Partner of Garcia Garcia Law Offices
- President, Golden Garfields Development Corporation
- Independent Director, San Miguel Corporation

Previous Position:

- President and General Manager : Government Service Insurance System
Vice-Chairman, Board of Trustees
- Chairman : National Reinsurance Corporation of the
Philippines
- Chairman : GSIS Mutual Fund, Incorporated
- Chairman : Asean Forum, Incorporated
- Chairman : Philippine Social Security Association
- Board Member : Asean Social Security Association
- Director : Philippine National Construction
Corporation
- Director : Philippine Health Insurance Corporation
- Member (GSIS) : International Social Security Association
- Member (GSIS) : Federation of Afro Insurers and
Reinsurers
- Member (GSIS) : International Insurance Society,
Incorporated



106102015000271

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Fernando T. Fernandez

Receiving Branch : SEC Head Office

Receipt Date and Time : June 10, 2015 10:29:10 AM

Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. PW00000277
Company Name SAN MIGUEL CORP.
Industry Classification
Company Type Stock Corporation

Document Information

Document ID 106102015000271
Document Type LETTER/MISC
Document Code LTR
Period Covered June 09, 2015
No. of Days Late 0
Department CED/CFD/CRMD/MRD/NTD
Remarks Cert. Of Independent Dir.
CGFD

COVER SHEET

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S. E. C. Registration Number

						S	A	N							

						M	I	G	U	E	L				

		C	O	R	P	O	R	A	T	I	O	N			

(Company's Full Name)

N	O	.	4	0		S	A	N		M	I	G	U	E	L		A	V	E

M	A	N	D	A	L	U	Y	O	N	G		C	I	T	Y				

M	E	T	R	O		M	A	N	I	L	A								

P	H	I	L	I	P	P	I	N	E	S									

(Business Address: No. Street City/Town/Province)

Atty. Mary Rose S. Tan Contact Person	(632) 632-3000 Company Telephone Number

Certification of Independent Director

<table border="1" style="width: 100%;"> <tr><td style="width: 50%;">1</td><td style="width: 50%;">2</td></tr> </table> Month	1	2	<table border="1" style="width: 100%;"> <tr><td style="width: 50%;">3</td><td style="width: 50%;">1</td></tr> </table> Day	3	1	<table border="1" style="width: 100%;"> <tr> <td style="width: 10%;">S</td><td style="width: 10%;">E</td><td style="width: 10%;">C</td><td style="width: 10%;">-</td><td style="width: 10%;">F</td><td style="width: 10%;">O</td><td style="width: 10%;">R</td><td style="width: 10%;">M</td> </tr> </table> FORM TYPE	S	E	C	-	F	O	R	M	<table border="1" style="width: 100%;"> <tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr> </table> Month			<table border="1" style="width: 100%;"> <tr><td style="width: 50%;"></td><td style="width: 50%;"></td></tr> </table> Day		
1	2																			
3	1																			
S	E	C	-	F	O	R	M													

2nd Tuesday of June

Secondary License Type, If Applicable

<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Dept. Requiring this Doc.	<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Amended Articles Number/Section
<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Total No. of Stockholders	<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Total Amount of Borrowings
	<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Domestic
	<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Foreign

To be accomplished by SEC Personnel concerned

<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> File Number	_____ LCU
<table border="1" style="width: 100%; height: 20px; margin-bottom: 5px;"></table> Document I. D.	_____ Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **REYNATO S. PUNO**, Filipino, of legal age with address at No. 13 Julius Street, Don Jose Heights, Commonwealth Avenue, Quezon City, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of San Miguel Corporation.
2. I am affiliated with the companies and organizations listed in Annex "A" hereof.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of June 2015 at Mandaluyong City.


REYNATO S. PUNO
Affiant

SUBSCRIBED AND SWORN to before me this 9th day of June 2014 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. EB52069814 issued at DFA-Manila on April 21, 2012.

Doc. No. 96 ;
Page No. 21 ;
Book No. 61 ;
Series of 2015.


RICARDO E. BERNABE III
Commission No. 0416-14
Notary Public for Mandaluyong City
Until Dec. 31, 2015
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 61400
PTR No. 2253811; 01/07/15; Mandaluyong City
IBP Lifetime Member No. 011669; 03/08/13; RSM

Annex "A"

REYNATO S. PUNO

Present Position:

1. President, Philippine Bible Society
2. Chairman, Gerry Roxas Foundation
3. Chairman, Environmental Heroes Foundation
4. Vice Chairman, World Vision
5. Vice Chairman, GMA Kapuso
6. Independent Director, Union Bank of the Philippines
7. Independent Director, San Miguel Corporation, Inc.
8. Independent Director, San Miguel Brewery Hong Kong, Ltd.
9. Independent Commissioner, PT Delta Djakarta, Tbk
10. Independent Director, Marcventure Holdings, Inc.
11. Member of the Board of Directors, The New Standard newspaper

Previous Positions:

- Appointed Chief Justice of the Supreme Court, December 6, 2006; Retired, May 17, 2010
- Chairman, Presidential Electoral Tribunal, 2007
- Chairman, First, Second and Third Divisions of the Supreme Court



106102015000278

**SECURITIES AND EXCHANGE COMMISSION**

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel: (632) 726-0931 to 39 Fax: (632) 725-5293 Email: mis@sec.gov.ph

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Company Information

SEC Registration No. PW00000277

Company Name SAN MIGUEL CORP.

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 106102015000278

Document Type LETTER/MISC

Document Code LTR

Period Covered June 09, 2015

No. of Days Late 0

Department CED/CFD/CRMD/MRD/NTD

Remarks Cert. Of Independent Dir.
CGFD

COVER SHEET

P W - 2 7 7

S. E. C. Registration Number

S A N

M I G U E L

C O R P O R A T I O N

(Company's Full Name)

N O . 4 0 S A N M I G U E L A V E

M A N D A L U Y O N G C I T Y

M E T R O M A N I L A

P H I L I P P I N E S

(Business Address: No. Street City/Town/Province)

Atty. Mary Rose S. Tan

Contact Person

(632) 632-3000

Company Telephone Number

Certification of Independent
Director

2nd Tuesday of June

1 2
Month

3 1
Day

S E C - F O R M
FORM TYPE

Month

Day

Annual Meeting

Secondary License Type, If Applicable

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Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

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Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I. D.

Cashier

STAMPS

Remarks = pls. Use black ink for scanning purposes

CERTIFICATION OF INDEPENDENT DIRECTOR

I, **MARGARITO B. TEVES**, Filipino, of legal age with address at No. 411 Ambuklao Street, Ayala, Alabang, after having been duly sworn to in accordance with law do hereby declare that:

1. I am an independent director of San Miguel Corporation.
2. I am affiliated with the companies and organizations listed in Annex "A" hereof.
3. I possess all the qualifications and none of the disqualifications to serve as an Independent Director of San Miguel Corporation as provided for in Section 38 of the Securities Regulation Code and its Implementing Rules and Regulations.
4. I shall faithfully and diligently comply with my duties and responsibilities as independent director under the Securities Regulation Code.
5. I shall inform the Corporate Secretary of San Miguel Corporation of any changes in the abovementioned information within five days from its occurrence.

Done this 9th day of June 2015 at Mandaluyong City.


MARGARITO B. TEVES
Affiant

SUBSCRIBED AND SWORN to before me this 9th day of June 2015 at Mandaluyong City, affiant personally appeared before me and exhibited to me his Passport No. EC33971995 issued at DFA-Manila on February 6, 2015.

Doc. No. 92 ;
Page No. 21 ;
Book No. VI ;
Series of 2015.


RICARDO P. BERNABE III
Commission No. 0416-14
Notary Public for Mandaluyong City
Until Dec. 31, 2015
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 61400
PTR No. 2253811; 01/07/15; Mandaluyong City
IBP Lifetime Member No. 011669; 03/08/13; RSM

MARGARITO B. TEVES**PROFESSIONAL EXPERIENCE**

<u>Company</u>	<u>Position/Relationship</u>	<u>Period of Service</u>
P.J. Lhuillier Group of Companies	Member, Strategic Committee	February 2015 to present
Petron	Independent Director	May 20, 2014 to present
Bank of Communications	Board Adviser	July 26, 2013 to present
Atlantic Aurum Investments Philippines Corporation	Independent Director,	July 19, 2013 to present
AB Capital Investment Corp.	Independent Director	June 29, 2012 to present
San Miguel Corporation	Independent Director	June 14, 2012 to present
The Wallace Business Forum	Managing Director	March 1, 2012 to present
Think Tank	Chairman	1998 to 2000; 2010 to present
Alphaland Balesin Island Club, Inc.	Independent Director	2012 - Present
Alphaland Corporation	Independent Director	May 26 2011 - Present
The City Club at Alphaland Makati Place, Inc.	Independent Director	2011 – Present

PREVIOUS POSITION

- Secretary, Department of Finance

July 2005 – June 2010

- Governor for the Philippines, World Bank Group
- Governor for the Philippines, Asian Development Bank
- Alternate Governor for the Philippines, International Monetary Fund
- Governor for the Philippines, International Fund for Agricultural Development
- Chairman, Land Bank of the Philippines
- Chairman, Philippine Deposit Insurance Corporation
- Chairman, Trade & Investment Development Corporation of the Philippines
- Chairman, Home Guaranty Corporation
- Chairman, National Power Corporation
- Chairman, Power Sector Assets and Liabilities Management Corporation
- Chairman, National Transmission Corporation
- Chairman, NEDA-ICC Committee
- Chairman, Privatization Council
- Co-Chair, Capital Market Development Council
- Governor for the Philippines at World Bank and Asian Development Bank
- On behalf of the Philippines as member country of the WB or ADB, approves recommendations submitted by Bank Management on amendments to Articles of Agreement among member countries, policies involving Bank operations, changes in the authorized capital stock, distribution of the net income, among others.

- Represents the Philippines in the Annual Meeting of the WB or ADB to convey Philippine concerns of positions affecting Bank policies and operations
- Authorized representative to sign agreement with WB and ADB covering financial assistance to the Philippines either in loans or grants
- President and Chief Executive Officer, Land Bank of the Philippines

(September 1, 2000 – July 15, 2005)

- President, APRACA-CENTRAB
- Chairman, LBP Insurance Brokerage, Inc.
- Chairman, LBP Leasing Corporation
- Chairman, LBP Realty Development Corporation
- Chairman, Masaganang Sakahan, Inc.
- Chairman, LBP Financial Services SpA
- Chairman & President, LBP Remittance Co. USA
- Chairman, Management Committee, National Livelihood Support Fund (NLSF)
- Chairman, People's Credit and Finance Corporation (PCFC)
- Chairman, Philippine Crop Insurance Corporation (PCIC)
- Chairman and Chief Executive Officer, Think Tank, Inc.
- Chairman & Member, Asia Pacific Rural and Agricultural Credit Association (APRACA)
- Council Member, National Food Authority.
- Council Member, Food Terminal, Inc.
- Member, Board of Directors, Manila Electric Company
- Member, Board of Directors, PhilEquity Fund Inc.
- Member, Asean Finance Corporation
- Member, Bankers Association of the Philippine
- Member, Board of Directors, Bankers Association of the Philippines
- Member, Board of Directors, Great Pacific Life Assurance Corporation
- Member, Board of Directors, Lifetime Plans Inc.
- Member, Board of Directors, Asean Finance Corporation
- Member, Board of Directors, Ayala Foundation Inc.
- Member, Board of Directors, Solid Bank Corporation
- Member, Board of Governors, Philippine Stock Exchange Inc.
- Member, Board of Directors, Philippine Economic Society
- Member, Board of Directors, Alsons Cement Corporation
- Member, Eminent Persons Group, Export Development Council
- Member, Board of Directors, Center for Legislative Development Inc.
- Coordinator for the Council of Senior Advisers (CSA) and the private sector (ECC)
- Commissioner, Preparatory Commission on Constitutional Reforms (PCCR)
- Delegate, 1971-72, Constitutional Convention
- Private Sector Representative, Economic Coordinating Council (ECC)
- Representative, 3rd District, Negros Oriental (3 terms), July 1987- June 1998, Philippine House of Representatives
- Resident Manager, Tolong Sugar Milling Co., Inc.
- Executive Director, Filipinas (Ayala) Foundation

ANNEX “B”

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013



SAN MIGUEL CORPORATION

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS**

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

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

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



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



RAMON S. ANG
President and Chief Operating Officer



FERDINAND K. CONSTANTINO

Senior Vice President and
Chief Finance Officer / Treasurer

Signed this 17th day of March 2016

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
Mandaluyong City) S. S.

Before me, a Notary Public for and in Mandaluyong City this 17th day of March 2016, personally appeared the following:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place of Issue</u>
Mr. Eduardo M. Cojuangco, Jr.	EC3542719	02/27/15/DFA-Manila
Mr. Ramon S. Ang	EC3542718	02/27/15/DFA-Manila
Mr. Ferdinand K. Constantino	EB5297621	05/04/12/DFA-Manila

known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No. 129;
Page No. 87;
Book No. 74;
Series of 2016.


PAULA KATHERINA A. GAN
Commission No. 0308-15
Notary Public for Mandaluyong City
Until Dec. 31, 2016
SMC, 40 San Miguel Ave., Mandaluyong City
Roll No. 55988
PTR No. 2599895; 01/04/16; Mandaluyong City
IBP Lifetime Member No. 013353; 02/05/15; Q.C.

**R.G. Manabat & Co.**

The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

Telephone	+63 (2) 885 7000
Fax	+63 (2) 894 1985
Internet	www.kpmg.com.ph
E-Mail	ph-inquiry@kpmg.com

Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

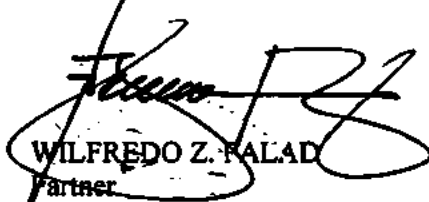
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

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

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner

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

March 17, 2016
Makati City, Metro Manila

COVER SHEET

for AUDITED FINANCIAL STATEMENTS

SEC Registration Number

P	W	-	2	7	7						

COMPANY NAME

S	A	N		M	I	G	U	E	L		C	O	R	P	O	R	A	T	I	O	N		A	N	D				
S	U	B	S	I	D	I	A	R	I	E	S																		

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

N	o	.		4	0		S	a	n		M	i	g	u	e	l		A	v	e	n	u	e						
M	a	n	d	a	l	u	y	o	n	g		C	i	t	y														

Form Type

Department requiring the report

Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address

Company's Telephone Number/s

Mobile Number

No. of Stockholders

Annual Meeting (Month / Day)

Fiscal Year (Month / Day)

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person

Email Address

Telephone Number/s

Mobile Number

CONTACT PERSON'S ADDRESS

No. 40 San Miguel Avenue, Mandaluyong City

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SAN MIGUEL CORPORATION AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2015, 2014 and 2013

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015, 2014 AND 2013
(In Millions)



	<i>Note</i>	2015	2014 As restated	2013 As restated
ASSETS				
Current Assets				
Cash and cash equivalents	5, 9, 41, 42	P180,758	P258,606	P191,613
Trade and other receivables - net	4, 5, 6, 10, 34, 36, 40, 41, 42	100,727	129,238	163,337
Inventories	4, 5, 11	64,148	85,846	83,315
Current portion of biological assets - net	17	3,319	3,320	3,427
Prepaid expenses and other current assets	4, 5, 12, 14, 35, 41, 42	73,659	52,886	38,516
		422,611	529,896	480,208
Assets held for sale	8, 13	-	554	13
Total Current Assets		422,611	530,450	480,221
Noncurrent Assets				
Investments and advances - net	4, 5, 13	26,929	46,651	69,055
Available-for-sale financial assets	4, 14, 41, 42	41,546	41,459	42,048
Property, plant and equipment - net	4, 5, 15, 35	497,352	455,323	426,759
Investment property - net	4, 16	4,746	3,643	4,176
Biological assets - net of current portion	4, 17	2,177	1,973	1,911
Goodwill - net	4, 5, 18, 39	58,603	41,211	41,752
Other intangible assets - net	4, 5, 18, 39	139,969	45,114	36,032
Deferred tax assets	4, 5, 24	16,441	14,651	15,608
Other noncurrent assets - net	4, 5, 19, 34, 35, 36, 40, 41, 42	35,648	37,014	52,141
Total Noncurrent Assets		823,411	687,039	689,482
		P1,246,022	P1,217,489	P1,169,703
LIABILITIES AND EQUITY				
Current Liabilities				
Loans payable	5, 20, 31, 34, 41, 42	P146,859	P180,059	P143,226
Accounts payable and accrued expenses	4, 5, 21, 34, 35, 36, 41, 42	102,836	121,844	117,257
Finance lease liabilities - current portion	4, 5, 31, 35, 41, 42	16,567	16,219	15,654
Income and other taxes payable	5	13,907	13,303	13,058
Dividends payable	5, 34, 37	1,996	3,134	3,544
Current maturities of long-term debt - net of debt issue costs	5, 22, 31, 34, 41, 42	37,554	19,852	42,807
Total Current Liabilities		319,719	354,411	335,546

Forward

			2014	2013
	<i>Note</i>	2015	As restated	As restated
Noncurrent Liabilities				
Long-term debt - net of current maturities and debt issue costs	5, 22, 31, 34, 41, 42	P330,823	P283,136	P264,690
Deferred tax liabilities	5, 24	15,329	7,820	11,061
Finance lease liabilities - net of current portion	4, 5, 31, 35, 41, 42	162,713	170,111	179,394
Other noncurrent liabilities	4, 5, 23, 34, 35, 36, 41, 42	32,561	12,091	13,619
Total Noncurrent Liabilities		541,426	473,158	468,764
Equity	25, 37, 38, 40			
Equity Attributable to Equity Holders of the Parent Company				
Capital stock - common		16,417	16,415	16,414
Capital stock - preferred		10,187	10,187	10,187
Additional paid-in capital		177,871	178,101	178,085
Reserve for retirement plan		(3,546)	(1,216)	790
Equity reserve	6	(798)	761	764
Cumulative translation adjustments		725	3,874	4,081
Retained earnings:				
Appropriated		48,927	52,088	28,230
Unappropriated		127,855	120,571	138,727
Treasury stock		(139,501)	(139,881)	(139,954)
		238,137	240,900	237,324
Non-controlling Interests	2, 5, 6	146,740	149,020	128,069
Total Equity		384,877	389,920	365,393
		P1,246,022	P1,217,489	P1,169,703

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Millions, Except Per Share Data)

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Millions)

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Millions)

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

Forward

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

Forward

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

See Notes to the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Millions)

	<i>Note</i>	2015	2014 As restated	2013 As restated
CASH FLOWS FROM				
OPERATING ACTIVITIES				
Income before income tax		P45,937	P38,862	P54,893
Adjustments for:				
Depreciation, amortization and others - net	7, 29	37,510	25,224	43,825
Interest expense and other financing charges	31	32,521	29,710	30,970
Interest income	32	(4,315)	(4,012)	(3,539)
Equity in net losses (earnings) of associates and joint ventures	13	386	(1,701)	502
Loss (gain) on sale of investments and property and equipment	13, 15	81	(777)	(41,192)
Operating income before working capital changes		112,120	87,306	85,459
Changes in noncash current assets, certain current liabilities and others	39	(6,147)	(14,852)	(5,005)
Cash generated from operations		105,973	72,454	80,454
Interest and other financing charges paid		(24,409)	(21,735)	(21,423)
Income taxes paid		(14,525)	(11,287)	(11,832)
Net cash flows provided by operating activities		67,039	39,432	47,199
CASH FLOWS FROM				
INVESTING ACTIVITIES				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	39	(7,633)	(302)	(512)
Cash and cash equivalents acquired from business combination, net of cash paid	39	14,415	-	-
Additions to investments and advances and available-for-sale financial assets	13, 14	(3,544)	(6,314)	(26,814)
Additions to property, plant and equipment	7, 15	(59,973)	(38,951)	(65,865)
Increase in other noncurrent assets and others		(8,833)	(7,359)	(11,783)
Proceeds from sale of investments and property and equipment	6, 8, 13, 14, 15, 16, 19	2,607	66,945	72,962
Interest received		4,136	3,481	3,476
Dividends received from associates	13	7	5	3,857
Net cash flows provided by (used in) investing activities		(58,818)	17,505	(24,679)

Forward

			2014	2013
	<i>Note</i>	2015	As restated	As restated
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		P760,238	P827,018	P853,769
Long-term borrowings		77,070	47,591	146,370
Payments of:				
Short-term borrowings		(794,373)	(789,191)	(865,777)
Long-term borrowings		(73,092)	(54,309)	(80,225)
Proceeds from reissuance of treasury shares	25	54,201	-	-
Net proceeds from issuance of preferred shares and undated subordinated capital securities of subsidiaries	6	28,708	23,008	30,546
Proceeds from issuance of capital stock	25	27	7	69
Redemption of Series “2A” preferred shares	25	(54,076)	-	-
Redemption of preferred shares of subsidiaries	6	(40,642)	-	-
Payments of finance lease liabilities		(22,296)	(20,152)	(19,168)
Cash dividends paid	37	(9,802)	(9,702)	(10,951)
Cash dividends and distributions paid to non-controlling shareholders		(13,847)	(14,571)	(10,454)
Increase (decrease) in non-controlling interests		(369)	205	(1,616)
Net cash flows provided by (used in) financing activities		(88,253)	9,904	42,563
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
		2,184	152	1,023
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(77,848)	66,993	66,106
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		258,606	191,613	125,507
CASH AND CASH EQUIVALENTS AT END OF YEAR	9	P180,758	P258,606	P191,613

See Notes to the Consolidated Financial Statements.

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 on August 21, 1913. On March 16, 2012, the Philippine Securities and Exchange Commission (SEC) approved the amendment of the Articles of Incorporation and By-Laws of the Parent Company to extend the corporate term of the Parent Company for another fifty (50) years from August 21, 2013, as approved on the March 14, 2011 and June 7, 2011 meetings of the Parent Company's Board of Directors (BOD) and stockholders, respectively.

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

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

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

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

2. Basis of Preparation

Statement of Compliance

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Basis of Consolidation

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

	Percentage of Ownership		Country of Incorporation
	2015	2014	
Beverage Business:			
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, San Miguel Brewing International Ltd. and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Djakarta Tbk ^(a) and subsidiary, San Miguel (Baoding) Brewery Company Limited (SMBB) ^(a) , San Miguel Brewery Vietnam Limited ^(a) , San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}]	51.17	51.17	Philippines
Ginebra San Miguel Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International, Ltd. (GSMIL), GSM International Holdings Limited (GSMIHL), Global Beverage Holdings Ltd. and Siam Holdings Ltd.(SHL)]	78.27	78.27	Philippines
Food Business:			
San Miguel Pure Foods Company Inc. (SMPFC) ^(a) and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. and subsidiaries {including Golden Avenue Corp. and Golden Bay Grain Terminal Corporation (GBGTC)}, The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries {including Golden Food & Dairy Creamery Corporation and Sugarland Corporation}, San Miguel Super Coffeemix Co., Inc., PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited (SMPFIL) and subsidiaries {including San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited) and subsidiary, San Miguel Pure Foods (VN) Co., Ltd., formerly San Miguel Hormel (VN) Co. Ltd. (SMHVN)}] ^(a)	85.37	85.37	Philippines

Forward

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

Forward

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

(a) The financial statements of these subsidiaries were audited by other auditors.

(b) Consolidated to SMHC effective December 9, 2015 (Note 5).

(c) Consolidated to SMHC effective March 5, 2015 (Note 5).

(d) Consolidated to Vega effective December 4, 2015 (Note 5).

(e) Consolidated to Vega effective September 2, 2015 (Note 5).

(f) Acquired by SMEII from Clariden Holdings, Inc. (Clariden) on October 15, 2014 (Note 5).

A subsidiary is an entity controlled by the Group. The Group controls an entity if, and only if, the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

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

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

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

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

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

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

3. Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2015

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

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:
 - Meaning of 'Vesting Condition' (*Amendment to PFRS 2, Share-based Payment*). PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.

- Scope Exclusion for the Formation of Joint Arrangements (*Amendment to PFRS 3, Business Combinations*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Disclosures on the Aggregation of Operating Segments (*Amendments to PFRS 8, Operating Segments*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.
- Scope of Portfolio Exception (*Amendment to PFRS 13, Fair Value Measurement*). The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Definition of 'Related Party' (*Amendments to PAS 24, Related Party Disclosures*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property* (*Amendment to PAS 40*). PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The adoption of the amendment did not have an effect on the consolidated financial statements.

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

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

New and Amended Standards and Interpretation Not Yet Adopted

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

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

- Disclosure Initiative (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statements of income, consolidated statements of comprehensive income and the consolidated statements of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statements of financial position, the consolidated statements of income and consolidated statements of comprehensive income. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- Accounting for Acquisitions of Interests in Joint Operations (*Amendments to PFRS 11*). The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization (*Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets*). The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (*Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates*). The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.
- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which the following are applicable to the Group:
 - Changes in Method for Disposal (*Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations*). PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, to changes in methods of disposal that occur on or after January 1, 2016.

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

- PFRS 16, *Leases* supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced. PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

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

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

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

Financial Assets and Financial Liabilities

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

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

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

Financial Assets

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

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

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

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

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

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

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

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

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest rate method, less any impairment in value. Any interest earned on loans and receivables is recognized as part of “Interest income” account in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of “Interest income” account in the consolidated statements of income. Gains or losses are recognized in the consolidated statements of income when loans and receivables are derecognized or impaired.

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

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

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

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

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

Financial Liabilities

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

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

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

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

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

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

Derivative Financial Instruments and Hedging

Freestanding Derivatives

For the purpose of hedge accounting, hedges are classified as either:

- (a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk);
- (b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or
- (c) hedges of a net investment in foreign operations.

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

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

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

The Group discontinues fair value hedge accounting if:

- (a) the hedging instrument expires, is sold, is terminated or is exercised;
- (b) the hedge no longer meets the criteria for hedge accounting; or
- (c) the Group revokes the designation.

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

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

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

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

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

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

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

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

Embedded Derivatives

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

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

- (a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- (b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- (c) the hybrid or combined instrument is not recognized as at FVPL.

Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

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

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

Derecognition of Financial Assets and Financial Liabilities

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

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statements of income.

Impairment of Financial Assets

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

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

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

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

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

The carrying amount of the asset is reduced either directly or through the use of an allowance account. The impairment loss for the period is recognized in the consolidated statements of income. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the consolidated statements of income, to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

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

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

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

If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or a derivative asset that is linked to and must be settled by delivery of such unquoted equity instrument has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss shall not be reversed.

Classification of Financial Instruments between Liability and Equity

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

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

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

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

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

Debt Issue Costs

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

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

Inventories

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

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

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

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

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

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

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

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

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

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

Biological Assets and Agricultural Produce

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

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

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

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

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

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

Business Combination

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

When the Group acquires a business, it assesses the financial assets and financial liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

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

▪ *Goodwill in a Business Combination*

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

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

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

▪ *Intangible Assets Acquired in a Business Combination*

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

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

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

Transactions under Common Control

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

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

Non-controlling Interests

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

Investments in Shares of Stock of Associates and Joint Ventures

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

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

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

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

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

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

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

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

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

Property, Plant and Equipment

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

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

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

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

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

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

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

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

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

Investment Property

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

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

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

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

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

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

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

Intangible Assets

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

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

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

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

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

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

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

Service Concession Arrangements

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

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

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

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

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

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

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

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

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

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

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

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

The airport concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

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

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

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

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

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

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

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

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

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

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

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

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

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

The port concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the port concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

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

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

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

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in the consolidated statements of income.

Deferred Exploration and Development Costs

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

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

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

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

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

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

Impairment of Non-financial Assets

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

the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the consolidated statements of income in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statements of income. After such a reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Cylinder Deposits

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

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

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

Fair Value Measurements

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

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

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

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

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

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

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

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

Provisions

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

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

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

Additional Paid-in Capital

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

Treasury Shares

Own equity instruments which are reacquired are carried at cost and deducted from equity. No gain or loss is recognized on the purchase, sale, reissuance or cancellation of the Parent Company’s own equity instruments. When the shares are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Revenue Recognition

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

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

Revenue from Sale of Goods

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

Revenue from Power Generation and Trading

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

Revenue from Toll Operations

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

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

Revenue from Airport Operations

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

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

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

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

Revenue from Agricultural Produce

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

Revenue from Shipping and Port Operations

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

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

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

Revenue from Sale of Real Estate

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

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

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

Revenue from Sale of Raw Land

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

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

Revenue from Telecommunications Services

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

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

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

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

Others

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

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

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

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

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

Costs and Expenses

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

Share-based Payment Transactions

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

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

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

The cost of share-based payment transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date when the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expenses recognized for share-based payment transactions at each reporting date until the vesting date reflect the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. Where the terms of a share-based award are modified, as a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately.

However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

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

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

Finance Lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Obligations arising from plant assets under finance lease agreement are classified in the consolidated statements of financial position as finance lease liabilities.

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

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

Operating Lease

Group as Lessee. Leases which do not transfer to the Group substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statements of income on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

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

Borrowing Costs

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

Research and Development Costs

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

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

Employee Benefits

Short-term Employee Benefits

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

Retirement Costs

The net defined benefit retirement liability or asset is the aggregate of the present value of the amount of future benefit that employees have earned in return for their service in the current and prior periods, reduced by the fair value of plan assets (if any), adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of economic benefits available in the form of reductions in future contributions to the plan.

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

Defined benefit costs comprise the following:

- Service costs
- Net interest on the defined benefit retirement liability or asset
- Remeasurements of defined benefit retirement liability or asset

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

Foreign Operations

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

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

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

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

Taxes

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of tax included.

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

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

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

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

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

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

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

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

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

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

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

Operating Segments

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

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

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

Contingencies

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

Events After the Reporting Date

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

Judgments

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

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

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

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

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

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

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

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

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

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

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

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

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

- a. *Airport Concession Right.* The Group's airport concession right consists of: (i) total Airport Project cost; (ii) present value of infrastructure retirement obligation (IRO); and (iii) present value of total franchise fees over 25 years and its subsequent amortization.
 - (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost to cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to the percentage-of-completion approach.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of the joint arrangements based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements in Thai San Miguel Liquor Co. Ltd. (TSML), Thai Ginebra Trading (TGT), Angat Hydropower Corporation (Angat Hydro) and KWPP Holdings Corporation (KWPP) as joint ventures (Note 13).

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

Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No impairment loss was recognized in 2015 and 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. Business Combinations

The significant acquisitions made by the Group are as follows:

Infrastructure

- AAIBV

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

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

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

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

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

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

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

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

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

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

▪ **MNHPI**

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

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

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

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

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

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

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

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

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

Telecommunications

▪ LTHI

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

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

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

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

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

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

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

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

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

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

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

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

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

- CTI

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Others

- **SWCC**

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

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

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

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

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

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

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

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

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

6. Investments in Shares of Stock of Subsidiaries

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

Fuel and Oil

▪ Petron

a) Issuance of Series 2 Preferred Shares

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

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

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

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

b) Redemption of the Preferred Shares issued in 2010

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

▪ PGL

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

On various dates in 2015, the Parent Company through Petron, acquired additional PGL common shares of 12,131,829 for US\$1.00 per share or for a total consideration of US\$12.

As of December 31, 2015, Petron held a total of 85,691,017 common shares in PGL representing 100% of the voting capital stock of PGL.

Infrastructure

▪ SMHC

On January 21, 2014, SEC approved the application for the Amendment of the Articles of Incorporation for the increase in authorized capital stock of SMHC from P5,000 divided into 5,000,000 common shares to P35,000 divided into 35,000,000 common shares, both with par value of P1,000.00 per share. The amendment was approved by the BOD and stockholders of SMHC on May 29, 2013 and filed with the SEC on December 27, 2013. Of the total increase in authorized capital stock, the Parent Company subscribed to 10,500,000 common shares for a total subscription price of P15,750 of which P15,422 was paid in 2013 while the remaining balance of P328 was paid in 2014.

On various dates in 2014, the Parent Company entered into Subscription Agreements with SMHC for the subscription of additional 9,500,000 common shares for a total subscription price of P14,250 or P1,500.00 per common share of which P9,874 was paid. The balance of the subscription amounting to P4,376 was paid by the Parent Company in 2015.

On August 6, 2015, the Parent Company subscribed to an additional 9,100,000 common shares of SMHC for a total subscription price of P13,650 or P1,500.00 per common share of which P7,716 was paid.

a) THI

On December 17, 2014, the BOD and stockholders of THI approved the increase in authorized capital stock from P3 divided into 30,000 common shares to P850 divided into 8,501,550 common shares, both with a par value of P100.00 per share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was approved by the SEC on February 18, 2015.

b) CMMTC

On September 27, 2013, the Parent Company through THI, a wholly-owned subsidiary of SMHC, sold to AAIPC the 25,409,482 common shares of CMMTC representing 37.33% of its outstanding capital stock for a total consideration of P13,759. The Group derecognized the assets (including goodwill) and liabilities, and the carrying amount of non-controlling interest as a result of the sale.

The Group recognized a net loss amounting to P654, included as part of “Gain on sale of investments and property and equipment” account in the 2013 consolidated statement of income.

c) Vertex and Optimal

On September 1, 2014, SMHC entered into Subscription Agreements with the following: (a) Vertex - for the subscription of 1,335,268,279 common shares for a total subscription price of P2,003 or P1.50 per share and initially paid P733; and (b) Optimal - for the subscription of 2,000 common shares out of the unissued capital stock for a total subscription price of P2 or P1,000.00 per share.

d) Rapid

On various dates in 2014, SMHC entered into Subscription Agreements with Rapid for the subscription of 14,000,000 common shares for a total subscription price of P2,100 or P150.00 per share.

On various dates in 2014, SMHC made additional deposits for future stock subscription amounting to P579. In 2015, SMHC subscribed to 12,500,000 common shares of Rapid at P150.00 per share for a total consideration of P1,875. As payment for the subscription, SMHC applied its P579 deposit for future stock subscription and paid P531. The balance amounting to P765 remained unpaid as of December 31, 2015.

On December 19, 2014, the BOD and stockholders of Rapid approved the increase in authorized capital stock from P1,800 divided into 18,000,000 common shares to P3,050 divided into 30,500,000 common shares, both with a par value of P100.00 per share. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 21, 2015.

On September 21, 2015, Rapid and DMCI Holdings, Inc. and D.M. Consuji, Inc. (collectively, "DMCI") entered into a Deed of Sale of Shares wherein Rapid acquired the shares of DMCI in PIDC for a consideration of P1,827.

As of December 31, 2015, Rapid effectively and beneficially owns 70.11% ownership interest in PIDC.

e) TADHC

On March 5, 2014, SMHC executed a Subscription Agreement with TADHC for the subscription of additional 2,714,420 common shares at P100.00 per share.

On November 7, 2014, the BOD and stockholders of TADHC approved the increase in the authorized capital stock from P1,520 divided into 15,000,000 common shares and 200,000 preferred shares to P1,720 divided into 17,000,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share. Of the total increase in authorized capital stock, SMHC subscribed to 1,965,580 common shares at P100.00 per share or a total subscription price of P197. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 29, 2015.

On November 18, 2015, SMHC executed a Subscription Agreement with TADHC for the subscription of 34,420 common shares at P100.00 per share or a total subscription price of P3.

On December 9, 2015, the BOD and stockholders of TADHC resolved and approved the increase in authorized capital stock from P1,720 divided into 17,000,000 common shares and 200,000 preferred shares to P2,520 divided into 25,000,000 common shares and 200,000 preferred shares, both with a par value of P100.00 per share of the total increase in authorized capital stock. Of the total increase in authorized capital stock, SMHC subscribed to 3,250,000 common shares at P150.00 per share or a total subscription price of P488. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on December 22, 2015.

Food

▪ SMPFC

a) Redemption of Outstanding Preferred Shares

On February 3, 2015, SMPFC's BOD approved the redemption of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share or a total redemption price of P15,000.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of SMPFC's treasury shares.

b) Issuance of Series "2" Perpetual Preferred Shares

On March 12, 2015, SMPFC issued 15,000,000 cumulative, non-voting, non-participating, and non-convertible peso-denominated perpetual Series "2" Preferred Shares with a par value of P10.00 per share at the offer price of P1,000.00 per share. The Series "2" Preferred Shares were issued with a dividend rate set at 5.6569% per annum payable once for every dividend period as follows: (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year calculated on a 30/360-day basis, as and if declared by the BOD of SMPFC.

The Series "2" Preferred Shares are redeemable in whole and not in part, in cash, at the sole option of SMPFC, on the third anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The Series "2" Preferred Shares may also be redeemed in whole and not in part, under certain conditions. Unless the Series "2" Preferred Shares are redeemed by SMPFC on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the three-day average of the seven-year PDST-R2 plus 3.75%.

On March 12, 2015, the SMPFC Series "2" Preferred Shares were listed on the PSE.

The proceeds from the issuance of the Series "2" Perpetual Preferred Share, net of transaction costs amounted to P15,000.

The proceeds of the issuance were used to refinance the redemption of the outstanding 15,000,000 Preferred Shares issued on March 3, 2011 at the redemption price of P1,000.00 per share plus any and all accumulated unpaid cash dividends to relevant stockholders of record as of February 17, 2015.

c) Acquisition of the 49% ownership interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)

In January 2015, SMPFIL, a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel Netherlands B.V. (Hormel) of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in SMHVN, a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

Following the acquisition, SMPFI Limited became a wholly-owned subsidiary of SMPFIL. Consequently, Hormel's non-controlling interest amounting to P126 as of January 2015 was derecognized. As part of the agreement, Hormel paid its share of the cash requirement to settle SMHVN's obligations, including estimated contingent liabilities and costs to temporarily close the farm and feedmill operations. This resulted in the recognition of equity reserves amounting to P384 presented as part of "Equity reserve" account in the 2015 consolidated statement of financial position.

With the divestment made by Hormel, SMHVN changed its corporate name to San Miguel Pure Foods (VN) Co., Ltd., in June 2015 following the issuance of the Binh Duong People's Committee of the amended business license of SMHVN.

Energy

- SMC Global

Issuance of Undated Subordinated Capital Securities

On May 7, 2014, the Parent Company through SMC Global, issued and listed on the Singapore Stock Exchange (SGX-ST), US\$300 undated subordinated capital securities (the "Securities") at an issue price of 100% of the face value of the Securities, at the rate of 7.50% per annum with a step-up date on November 7, 2019.

On August 26, 2015, SMC Global issued and listed in the SGX-ST a Reg S, Unrated Perpetual Non-Call 5.5 years US\$300 Undated Subordinated Capital Securities. SMC Global priced the deal at 6.75% per annum with a step-up date on February 26, 2021.

The holders of the Securities are conferred a right to receive distributions on a semi-annual basis from their issue date at the initial rate of distribution, subject to the step-up rate. SMC Global has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at the option of SMC Global on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events.

The proceeds were used by SMC Global to finance investments in power-related assets and other general corporate purposes.

Packaging

- CAI

On January 15, 2013, the Parent Company through SMYPC, sold its 35% equity interest in CAI to Can Pack S.A., a foreign corporation duly organized and existing under the laws of Poland, for P420. CAI is 65% owned by SMYPC as of December 31, 2015 and 2014.

CAI is a company primarily engaged in trade or operation as a manufacturer, buyer, importer, exporter, contractor, dealer, broker, commission merchant, agent or representative of all kinds of packaging products, and to render services to its clients and customers as may be necessary for the assembling, packaging and/or repacking of their respective products, particularly aluminum cans and ends which started commercial operations in 2013.

Real Estate

- The BOD and stockholders of SMPI, in their meetings held on November 5, 2015 and December 17, 2015, respectively, approved to increase its authorized capital stock from P1,280 divided into 128,000,000 common shares to P15,000 divided into 1,500,000,000 common shares, both with a par value of P10.00 per share. Of the total increase in authorized capital stock, the Parent Company subscribed to 450,000,000 common shares for a total subscription price of P9,000. As of December 31, 2015, the Parent Company paid P692 as deposit for subscription of the shares. The application for the Amendment of Articles of Incorporation for the increase in authorized capital stock was filed with the SEC on February 2, 2016 and was approved on March 11, 2016.

- **SMPI Flagship**

On October 20, 2014, the BOD and stockholders of SMPI Flagship approved to amend its articles of incorporation to change its primary purpose to allow SMPI Flagship to engage in the development, management and administration of condominiums, hotels, condominium hotels, service apartments, residential or buildings, and other horizontal or vertical developments. The amendment was approved by the SEC on November 3, 2014.

In 2015, SMPI Flagship completed the Makati Diamond Residence, a first class, high-rise serviced apartment, open to the general public, located in Makati City.

Telecommunications

- **Vega**

On January 24, 2014, the SEC approved the application for the amendment of articles of incorporation for the increase in authorized capital stock of Vega from P1 divided into 10,000 common shares to P655, divided into 6,550,000 common shares, both with a par value of P100.00 per share. Of the said increase, the Parent Company subscribed to 4,350,000 common shares for a total subscription price of P653 or P150.00 per share.

On December 1, 2014, the BOD and stockholders of Vega approved to further increase its authorized capital stock from P655 divided into 6,550,000 common shares with a par value of P100.00 per share to P25,000 consisting of 30,000,000 common shares with a par value of P100.00 per share and 22,000,000 preferred shares with a par value of P1,000.00 per share. The Parent Company, in a Deed of Subscription executed on the same date, subscribed to 9,147,500 common shares at P150.00 per share and 13,500,000 preferred shares at P1,500.00 per share or a total subscription price of P21,622. The application for the amendment of articles of incorporation for the increase in authorized capital stock was filed with the SEC on December 29, 2014 and was approved on April 6, 2015.

- BellTel

In December 2014, Vega subscribed to 8,408,000 common shares from the unissued common shares of BellTel for P3,100 equivalent to 45.68% direct ownership interest in BellTel.

In December 2015, Vega made an additional subscription in BellTel of 1,592,000 unissued common shares amounting to P587 thereby increasing direct ownership interest to 50%.

BellTel is a grantee of a franchise to install, operate and maintain local exchange networks and Wireless Local Loop (WLL) in several areas including special economic zones, inter-exchange networks, nationwide VSAT network, international gateway facilities, and cellular mobile telecommunications network (Note 35).

As a result of the subscription, Vega owns 100% equity interest in BellTel, consisting of 45.68% direct ownership interest and 54.32% indirect ownership interest through TCCI, PHC and PSCL.

Mining

- Clariden

On August 12, 2013, the BOD of the Parent Company authorized the sale of 100% of the outstanding and issued shares of stock of Clariden and all of the rights and interests therein, followed by the execution of the Share Purchase Agreement (the Agreement) between the Parent Company and Top Frontier on August 15, 2013.

On August 30, 2013 (the Closing Date), the Parent Company and Top Frontier executed the following: (i) the Deed of Absolute Sale of Shares covering 100% of the Clariden shares for a total consideration of P2,135; and (ii) the Deed of Assignment of Receivables covering the Parent Company's receivables in Clariden and its subsidiaries amounting to P725. On September 6, 2013, the Parent Company and Top Frontier, with the conformity of Clariden, executed the Deed of Assignment of Subscription Rights for P604.

Pursuant to the Agreement, the consideration for the sale of the Clariden shares and the assignment of subscription rights are collectible as follows: (i) P427 on September 9, 2013; and (ii) the remaining balance of P2,312 is collectible in two parts: (a) P1,099, inclusive of 5.75% interest per annum, is collectible at the end of the 5th year from Closing Date; and (b) P1,213, inclusive of 6.00% interest per annum, is to be collected at the end of the 7th year from Closing Date.

The consideration for the assignment of receivables is collectible in five equal installments beginning from the 1st anniversary of commercial operations of the Nonoc Project, a project primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte. These amounts are subject to 5.75% interest per annum and shall accrue upon commencement of commercial operations.

The remaining balance of the consideration amounting to P3,037 is presented as part of “Noncurrent receivables and deposits” under “Other noncurrent assets” account in the consolidated statements of financial position (Note 19).

As a result of the sale, Clariden ceased to be a subsidiary of the Group and accordingly derecognized the assets and liabilities, and the carrying amount of noncontrolling interests.

The Group recognized a gain amounting to P866, included as part of “Gain on sale of investments and property and equipment” account in the 2013 consolidated statement of income.

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

	December 31, 2015			December 31, 2014		
	Petron	SMB	SMPFC	Petron	SMB	SMPFC
Percentage of non-controlling interests	31.74%	48.83%	14.63%	31.74%	48.83%	14.63%
Carrying amount of non-controlling interests	P54,235	P20,477	P19,759	P81,621	P18,729	P19,397
Net income attributable to non-controlling interests	P5,335	P6,588	P1,710	P3,947	P7,018	P1,553
Other comprehensive income (loss) attributable to non-controlling interests	P2,363	P170	P21	(P1,556)	P201	(P6)
Dividends paid to non-controlling interests	P4,970	P4,836	P1,453	P6,027	P4,570	P2,858

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

	December 31, 2015			December 31, 2014		
	Petron	SMB	SMPFC	Petron	SMB	SMPFC
Current assets	P115,725	P25,935	P40,032	P219,029	P20,413	P48,192
Noncurrent assets	178,542	67,156	21,005	172,295	68,135	18,463
Current liabilities	(126,579)	(10,263)	(21,150)	(202,587)	(9,105)	(29,782)
Noncurrent liabilities	(84,588)	(40,837)	(871)	(75,045)	(41,189)	(910)
Net assets	P83,100	P41,991	P39,016	P113,692	P38,254	P35,963
Sales	P360,178	P82,374	P106,860	P482,535	P79,005	P102,999
Net income	P6,270	P13,518	P4,752	P3,009	P13,515	P3,843
Other comprehensive income (loss)	(5,932)	(73)	(44)	(4,758)	443	(40)
Total comprehensive income (loss)	P338	P13,445	P4,708	(P1,749)	P13,958	P3,803
Cash flows provided by (used in) operating activities	P8,468	P18,522	P11,995	(P737)	P15,457	P5,739
Cash flows provided by (used in) investing activities	(14,592)	(3,052)	(5,704)	(3,659)	(3,501)	11,535
Cash flows provided by (used in) financing activities	(66,343)	(9,713)	(11,220)	44,488	(16,290)	(10,089)
Effects of exchange rate changes on cash and cash equivalents	746	207	(3)	112	22	-
Net increase (decrease) in cash and cash equivalents	(P71,721)	P5,964	(P4,932)	P40,204	(P4,312)	P7,185

7. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group's reportable segments are beverage, food, packaging, energy, fuel and oil, infrastructure and telecommunications.

The beverage segment produces and markets alcoholic and non-alcoholic beverages.

The food segment includes, among others, poultry operations, livestock farming, and processing and selling of meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of feeds and flour products, cooking oil, biscuits, breadfill desserts and dairy-based products, importation and marketing of coffee and coffee-related products and grain terminal handling.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment is engaged in power generation, distribution and trading and coal mining. The power generation assets supply electricity to a variety of customers, including Manila Electric Company (Meralco), electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

Operating Segments

Financial information about reportable segments follows:

For the Years Ended December 31, 2015, 2014 and 2013																														
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Sales																														
External sales	P98,386	P94,230	P88,936	P106,845	P102,976	P99,754	P19,751	P19,365	P18,559	P68,704	P77,586	P72,212	P356,813	P475,425	P459,102	P13,288	P922	P5,503	P1,743	P1,515	P1,347	P8,395	P1,704	P1,890	P -	P -	P -	P673,925	P773,723	P747,303
Inter-segment sales	616	286	516	15	23	19	5,299	4,861	6,628	8,803	6,708	1,832	3,365	7,110	4,536	-	-	-	33	-	-	14,900	5,820	4,369	(33,031)	(24,808)	(17,900)	-	-	-
Total sales	P99,002	P94,516	P89,452	P106,860	P102,999	P99,773	P25,050	P24,226	P25,187	P77,507	P84,294	P74,044	P360,178	P482,535	P463,638	P13,288	P922	P5,503	P1,776	P1,515	P1,347	P23,295	P7,524	P6,259	(P33,031)	(P24,808)	(P17,900)	P673,925	P773,723	P747,303
Result																														
Segment result	P23,252	P22,437	P20,476	P7,644	P6,463	P5,510	P2,198	P2,078	P1,589	P23,703	P25,899	P20,541	P13,984	P2,211	P10,887	P7,272	(P373)	P3,868	(P1,806)	(P463)	(P239)	P1,850	(P2,956)	(P7,213)	P586	P479	P302	P78,683	P55,775	P55,721
Interest expense and other financing charges																														
Interest income																														
Equity in net earnings (losses) of associates and joint ventures																														
Gain (loss) on sale of investments and property and equipment																														
Other income (charges) - net																														
Income tax expense																														
Net income																														
Attributable to:																														
Equity holders of the Parent Company																														
Non-controlling interests																														
Net Income																														

	December 31, 2015, 2014 and 2013																													
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013			
Other Information																														
Segment assets	P75,289	P72,346	P78,069	P56,365	P62,494	P68,398	P34,611	P31,959	P33,132	P318,022	P300,520	P292,344	P284,140	P380,435	P346,524	P168,207	P60,734	P41,186	P41,550	P14,144	P11,432	P234,832	P250,806	P258,556	(P111,397)	(P100,985)	(P128,866)	P1,101,619	P1,072,453	P1,000,775
Investments in and advances to associates and joint ventures	525	659	720	-	-	-	3,949	3,782	3,636	10,613	10,612	6,012	1,811	1,169	892	(624)	10,769	7,465	-	8,873	7,515	10,655	10,787	42,815	-	-	-	26,929	46,651	69,055
Goodwill and trademarks and brand names																												59,278	41,454	41,995
Other assets																												41,755	41,726	42,257
Assets held for sale																												-	554	13
Deferred tax assets																												16,441	14,651	15,608
Consolidated Total Assets																												P1,246,022	P1,217,489	P1,169,703
Segment liabilities	P22,558	P21,243	P23,574	P17,233	P16,220	P15,854	P5,688	P5,318	P6,383	P28,197	P23,519	P16,941	P31,756	P65,165	P72,522	P40,487	P16,811	P31,141	P22,320	P25,361	P21,062	P79,431	P75,555	P76,109	(P114,718)	(P117,636)	(P135,125)	P132,952	P131,556	P128,461
Loans payable																												146,859	180,059	143,226
Long-term debt																												368,377	302,988	307,497
Finance lease liabilities																												179,280	186,330	195,048
Income and other taxes payable																												13,907	13,303	13,058
Dividends payable and others																												4,441	5,513	5,959
Deferred tax liabilities																												15,329	7,820	11,061
Consolidated Total Liabilities																												P861,145	P827,569	P804,310

	For the Years Ended December 31, 2015, 2014 and 2013																													
	Beverage			Food			Packaging			Energy			Fuel and Oil			Infrastructure			Telecommunications			Others			Eliminations			Consolidated		
	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013	2015	2014	2013
Capital expenditures	P1,319	P1,138	P1,278	P3,128	P647	P1,978	P2,150	P2,092	P2,383	P31,105	P17,447	P4,123	P13,474	P13,038	P51,412	P243	P34	P69	P4,209	P1,599	P1,231	P4,345	P2,956	P3,391	P -	P -	P -	P59,973	P38,951	P65,865
Depreciation and amortization of property, plant and equipment (Note 29)	1,837	2,153	2,295	945	1,057	932	1,580	1,468	1,415	6,513	6,171	5,404	5,364	5,494	5,253	148	54	28	523	378	428	1,185	1,132	1,012	-	-	-	18,095	17,907	16,767
Noncash items other than depreciation and amortization of property, plant and equipment	1,670	1,185	2,106	2,171	2,089	1,959	218	299	1,057	7,930	973	9,724	3,701	738	3,558	3,621	366	1,303	(3,417)	35	15	828	570	5,701	-	-	-	16,722	6,255	25,423
Loss on impairment of goodwill, property, plant and equipment, and other noncurrent assets	1,098	-	1,539		245	-		19	-		-	-	262	798	-		-	-	1,333	-	-		-	96		-	-	2,693	1,062	1,635

8. Assets Held for Sale

a) Indophil Resources NL (Indophil)

On December 18, 2014, the shareholders of Indophil qualified to vote, approved the scheme of arrangement proposed by Alsons Prime Investments Corporations to purchase all the shares of current shareholders of Indophil, inclusive of the shares held by Coastal View Exploration Corporation (Coastal View) for Australian dollar (A\$) 30 cents per share.

Accordingly, the carrying amount of the investment in Indophil, amounting to P527 as of December 31, 2014 was reclassified to “Assets held for sale” account in the 2014 consolidated statement of financial position.

On January 30, 2015, Coastal View received the payment on the sale of investment in shares of stock of Indophil amounting to A\$14 (P493).

b) Petron Mega Plaza

During the second quarter of 2013, Petron sold its remaining office units located at Petron Megaplaza covering the 28th to 44th floors and parking spaces, and recognized a gain amounting to P580, included as part of “Gain on sale of investments and property and equipment” account in the 2013 consolidated statement of income.

9. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	2015	2014
Cash in banks and on hand		P33,011	P32,363
Short-term investments		147,747	226,243
	<i>41, 42</i>	P180,758	P258,606

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates (Note 32).

10. Trade and Other Receivables

Trade and other receivables consist of:

	<i>Note</i>	2015	2014
Trade		P55,573	P57,872
Non-trade	<i>18, 40</i>	40,535	57,585
Amounts owed by related parties	<i>34, 36</i>	14,544	22,034
		110,652	137,491
Less allowance for impairment losses	<i>4, 5, 28</i>	9,925	8,253
	<i>4, 41, 42</i>	P100,727	P129,238

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

Non-trade receivables include claims from the Government, interest receivable, claims receivable, contracts receivable, subscription receivable and others. Claims from the Government pertain to duty drawback, VAT and specific tax claims as well as subsidy receivables from the Government of Malaysia under the Automatic Pricing Mechanism.

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

	<i>Note</i>	2015	2014
Balance at beginning of year		P8,253	P8,450
Charges for the year	28	189	848
Amounts written off		(84)	(348)
Acquisition of subsidiaries	5	1,421	-
Translation adjustments and others		146	(697)
Balance at end of year		P9,925	P8,253

The aging of receivables is as follows:

December 31, 2015	Trade	Non-trade	Amounts owed by related parties	Total
Current	P42,829	P29,740	P14,544	P87,113
Past due:				
1 - 30 days	5,613	3,637	-	9,250
31 - 60 days	1,440	582	-	2,022
61 - 90 days	866	1,136	-	2,002
Over 90 days	4,825	5,440	-	10,265
	P55,573	P40,535	P14,544	P110,652

December 31, 2014	Trade	Non-trade	Amounts owed by related parties	Total
Current	P46,001	P30,251	P22,034	P98,286
Past due:				
1 - 30 days	5,441	3,642	-	9,083
31 - 60 days	1,671	281	-	1,952
61 - 90 days	604	181	-	785
Over 90 days	4,155	23,230	-	27,385
	P57,872	P57,585	P22,034	P137,491

Various collaterals for trade receivables such as bank guarantees, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality (Note 41).

11. Inventories

Inventories consist of:

	2015	2014
At NRV:		
Finished goods and goods in process (including petroleum products)	P37,901	P60,850
Materials and supplies (including coal)	20,431	19,529
Containers	1,482	1,212
At Cost:		
Raw land inventory and real estate projects	4,334	4,255
	P64,148	P85,846

The cost of finished goods and goods in process amounted to P38,629 and P61,750 as of December 31, 2015 and 2014, respectively.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have increased by P2,798 and P618 as of December 31, 2015 and 2014, respectively.

The cost of materials and supplies amounted to P21,295 and P20,372 as of December 31, 2015 and 2014, respectively.

Containers at cost amounted to P2,080 and P1,779 as of December 31, 2015 and 2014, respectively.

The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P649 and P553 as of December 31, 2015 and 2014, respectively, with corresponding costs at point of harvest amounting to P621 and P509, respectively. Net unrealized gain on fair valuation of agricultural produce amounted to P29 and P44 as of December 31, 2015 and 2014, respectively.

The fair values of marketable hogs and cattle, and grown broilers, which comprise the Group's agricultural produce, have been categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The net realizable value of raw land inventory and real estate projects is higher than the carrying amount as of December 31, 2015 and 2014, based on management's assessment.

The fair value of raw land inventory amounted to P9,740 and P7,318 as of December 31, 2015 and 2014, respectively. The fair value has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

In estimating the fair value of the raw land inventory, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Group's raw land inventory is its current use.

The Level 3 fair value of raw land inventory was derived using the observable recent transaction prices for similar raw land inventory in nearby locations adjusted for differences in key attributes such as property, size, zoning and accessibility. The most significant input into this valuation approach is the price per square meter, hence, the higher the price per square meter, the higher the fair value (Note 4).

12. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	2015	2014
Prepaid taxes and licenses		P60,227	P41,345
Restricted cash - current	41, 42	4,230	1,604
Advances to contractors and suppliers		1,720	3,673
CIP - airport concession arrangements	4, 35	974	857
Prepaid insurance		603	453
Catalyst		454	-
Prepaid rent		426	318
Derivative assets	41, 42	391	360
Financial assets at FVPL	41, 42	147	136
AFS financial assets - current portion	4, 14, 41, 42	70	431
Option deposit	41, 42	-	1,118
Others		4,417	2,591
		P73,659	P52,886

The CIP - airport concession arrangement of the Group includes the accumulated costs incurred on the design of the upgrade component of the Boracay Airport Project. It also includes the cost of a parcel of land earmarked for such upgrade, capitalized borrowing cost and the present value of the obligation to maintain and restore the Boracay Airport prior to its transfer to the ROP at the end of the concession period. The cost included in CIP that relates to the upgrade component of the Project was recognized as construction cost upon commencement of the upgrade (Note 4). The interest expense related to the accretion of the IRO amounting to P4 in 2015, 2014 and 2013, was recognized as part of "Other financing charges" under "Interest expense and other financing charges" account in the consolidated statements of income (Note 31).

"Others" consist of prepayments for various operating expenses and payments for professional services relating to the loan that SCPC is applying for in 2015.

The methods and assumptions used to estimate the fair values of restricted cash, option deposit, financial assets at FVPL, derivative assets and AFS financial assets are discussed in Note 42.

13. Investments and Advances

Investments and advances consist of:

	<i>Note</i>	2015	2014 As restated
Investments in Shares of Stock of Associates and Joint Ventures - at Equity			
Acquisition Cost			
Balance at beginning of year		P27,129	P50,946
Additions		700	3,578
Disposal		-	(21,506)
Reclassification to investments in shares of stock of subsidiaries	5	(13,096)	-
Others		-	(5,889)
Balance at end of year		14,733	27,129
Accumulated Equity in Net Earnings (Losses)			
Balance at beginning of year		1,709	(6,240)
Disposal		-	5,712
Equity in net earnings (losses)		(386)	1,701
Share in other comprehensive income (loss)		(121)	552
Reclassification to investments in shares of stock subsidiaries	5	(695)	-
Dividends		(7)	(5)
Others		-	(11)
Balance at end of year		500	1,709
		15,233	28,838
Advances		11,696	17,813
		P26,929	P46,651

The following are the developments relating to the Group's investments in shares of stock of associates and joint ventures:

Investments in Shares of Stock of Associates

- a. Trustmark Holdings Corporation (Trustmark), Zuma Holdings and Management Corporation (Zuma) and Fortunate Star Limited (Fortunate Star)

On October 23, 2014, the Group received from the Lucio Tan Group, a total of US\$874 or an equivalent of P38,616 from the sale of the 49% equity interest in Trustmark and Zuma, including indirect ownership interests of 43.23% and 48.98% in Philippine Airlines, Inc. and Air Philippines Corporation, respectively, and the sale of the equity interest and cancellation of subscription rights on the shares of stock of Fortunate Star. As a result, a gain of P491 was recognized in the 2014 consolidated statement of income, included as part of "Gain on sale of investments and property and equipment" account.

b. Investment in Bank of Commerce (BOC)

In 2012, the Parent Company through SMPI, started the negotiation for the sale of 44,817,164 common shares of BOC, representing 39.93% equity ownership interest. Accordingly, the investment in BOC with a carrying amount of P8,785, which includes the accumulated share in BOC's total comprehensive income of P983, was reclassified from "Investments and advances" account to "Assets held for sale" account in the 2012 consolidated statements of financial position.

In 2015, SMPI's management determined that there are no active buyers of its investment. Consequently, SMPI ceased to classify the investment as part of "Assets held for sale". As a result, the Group restated the comparative consolidated financial statements to appropriately recognize and bring back the investment in BOC to its carrying value, using equity method, as if the reclassification did not occur.

The effect of the restatement on the affected assets and equity components is shown below:

	December 31, 2014		
	As Previously Reported	Prior Period Adjustments	As Restated
<i>Changes in assets:</i>			
Investment and advances	P37,427	P9,224	P46,651
Asset held for sale	9,339	(8,785)	554
Total	P46,766	P439	P47,205
<i>Changes in components of equity:</i>			
Cumulative translation adjustment	P4,251	(P377)	P3,874
Reserve for retirement plan	(1,115)	(101)	(1,216)
Unappropriated retained earnings	119,655	916	120,571
Non-controlling interests	149,019	1	149,020
Total	P271,810	P439	P272,249

	December 31, 2013		
	As Previously Reported	Prior Period Adjustments	As Restated
<i>Changes in assets:</i>			
Investment and advances	P60,654	P8,401	P69,055
Asset held for sale	8,798	(8,785)	13
Total	P69,452	(P384)	P69,068
<i>Changes in components of equity:</i>			
Cumulative translation adjustment	P4,863	(P782)	P4,081
Reserve for retirement plan	862	(72)	790
Unappropriated retained earnings	138,256	471	138,727
Non-controlling interests	128,070	(1)	128,069
Total	P272,051	(P384)	P271,667

The effects of the prior year adjustments on the statements of comprehensive income in 2014 and 2013 are shown below.

	December 31, 2014		
	As Previously Reported	Prior Period Adjustments	As Restated
<i>Profit or loss:</i>			
Equity in net earnings of associates and joint ventures	P1,255	P446	P1,701
<i>Changes in other comprehensive income:</i>			
Share in other comprehensive income of associates and joint ventures	175	377	552
Net income attributable to:			
Equity holders of the Parent Company	14,692	445	15,137
Non-controlling interest	13,440	1	13,441
	P28,132	P446	P28,578

	December 31, 2013		
	As Previously Reported	Prior Period Adjustments	As Restated
<i>Profit or loss:</i>			
Equity in net earnings (losses) of associates and joint ventures	(P967)	P465	(P502)
<i>Changes in other comprehensive income:</i>			
Share in other comprehensive loss of associates and joint ventures	(480)	(773)	(1,253)
Net income attributable to:			
Equity holders of the Parent Company	38,053	464	38,517
Non-controlling interest	12,675	1	12,676
	P50,728	P465	P51,193

The prior year adjustments did not have a material impact on the consolidated statements of cash flows in 2014 and 2013.

c. AAIBV

Upon the execution of a Notarial Deed of Transfer of Shares, Padma transferred to SMHC an additional 48.47% equity interest in AAIBV resulting in the increase in SMHC's ownership to 95%. As such, SMHC gained control and consolidated AAIBV effective March 5, 2015 (Note 5).

d. Northern Cement Corporation (NCC)

SMC through SMYPC, has 35% equity interest in NCC representing 104,500,000 common shares.

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

e. LTHI

Upon completion of the tender offer and share purchases, Vega effectively owns 97.46% of the total outstanding capital stock of LTHI. As such, Vega gained control and consolidated LTHI effective September 2, 2015 (Note 5).

f. Top Frontier

On October 17, 2013, the BOD of the Parent Company approved the declaration, by way of property dividends, of 240,196,000 common shares of Top Frontier to the SMC common shareholders of record (the “Receiving Shareholders”) as of November 5, 2013. The SEC approved the property dividend declaration on November 19, 2013, and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue (BIR) on December 26, 2013.

The Receiving Shareholder received one common share of Top Frontier for every ten common shares of the Parent Company. Fractional shares below ten were dropped. The fair value of the Top Frontier shares is P178.00 per share, based on the Valuation and Fairness Opinion rendered by an independent advisor.

The property dividend distribution resulted in the Parent Company’s public shareholders owning about 11.8% of Top Frontier as of December 31, 2013.

As a result of the property dividend distribution, the Group recognized a remeasurement gain on property dividends amounting to P4,812, included as part of “Other income (charges)” account in the 2013 consolidated statement of income (Note 33). Also, the remaining investment in 2,561,031 common shares and 1,904,540 preferred shares of Top Frontier amounting to P35,829 as of December 31, 2013 were reclassified to “Available-for-sale financial assets” account (Note 14). As a result of the reclassification, the Group recognized a remeasurement gain of P51, included as part of “Other income (charges)” account in the 2013 consolidated statement of income (Note 33).

g. Meralco

On July 19, 2013, the Parent Company sold 64,333,330 shares of common stock in Meralco at P270.00 per share.

On September 30, 2013, the Parent Company, together with SMPFC and SMC Global, entered into a Share Purchase Agreement with JG Summit Holdings, Inc., for the sale of the remaining 305,689,397 shares of stock of Meralco for P71,837.

As a result of the sale, the Group recognized a gain of P40,423, included as part of “Gain on sale of investments and property and equipment” account in the 2013 consolidated statement of income.

Investments in Shares of Stock of Joint Ventures

a. TSML

The Parent Company through GSMI’s subsidiary, GSMIL, has an existing Joint Venture (JV) with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMIL owns 40% ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

Through the acquisition by SHL, a subsidiary of GSMI, of the 49% ownership interest in Siam Wine Liquor Co., Ltd. (SWL) and SWL’s acquisition of shares representing 10% ownership of the outstanding capital stock of TSML, the Group’s share in TSML increased from 40% to 44.9%.

b. TGT

The Parent Company through GSMI's subsidiary, GSMIHL, also has an existing 40% ownership interest in TGT, which was formed as another JV with Thai Life. TGT functions as the selling and distribution arm of TSML.

Through the acquisition of SWL of the 10% ownership interest in TGT, the Group's share in TGT increased from 40% to 44.9%.

c. Angat Hydro and KWPP

PVEI, a subsidiary of SMC Global, and Korea Water Resources Corporation (K-Water) entered into a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the 218 Megawatt (MW) Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-Water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-Water, 2,817,270 shares or 60% of the outstanding capital stock of Angat Hydro and from the individual stockholders, 75 shares representing 60% of KWPP outstanding capital stock. Accordingly, PVEI paid K-Water and the individual stockholders a total of US\$39 as full payment of the share purchase price.

In accordance with the entry of PVEI in Angat Hydro and KWPP, K-Water and PVEI are jointly in control of the management and operation of Angat Hydro and KWPP.

Further, PVEI agreed to pay K-Water a support fee amounting to 3% of the total amount of the bridge loan facility which was obtained for the acquisition by Angat Hydro of the Angat Power Plant. This was subsequently reduced to 1.5% of the amount of the bridge loan facility effective August 4, 2015.

Advances:

- a. SMPI made deposits to Primeria Commercio Holdings, Inc. (PCHI) amounting to P804 as of December 31, 2015 and 2014. The deposits will be applied against future stock subscriptions of SMPI to the shares of stock of PCHI.
- b. The deposits made by Vega amounting to P5,959 as of December 31, 2014 were applied against the acquisition of 88.17% equity interest in CTI in 2015 (Note 5).
- c. SMC Global and SMEC made deposits to certain land holding companies for future stock subscriptions amounting to P9,131 and P8,602, as of December 31, 2015 and 2014, respectively.
- d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in shares of stock of associates and joint ventures which are accounted for using the equity method are as follows:

	December 31, 2015					Total
	Angat Hydro and KWPP	NCC	BOC	TGT and TSML	Others	
Country of incorporation	Philippines	Philippines	Philippines	Thailand		
Percentage of ownership	60.00%	35.00%	39.93%	44.90%		
Share in net income (loss)	(P529)	P194	P50	(P110)	P9	(P386)
Share in other comprehensive income (loss)	-	(27)	(324)	(25)	255	(121)
Share in total comprehensive income (loss)	(P529)	P167	(P274)	(P135)	P264	(P507)
Dividends received from associates	P -	P -	P -	P -	P7	P7
Carrying amount of investments in shares of stock of associates and joint ventures	P1,290	P3,950	P8,949	P525	P519	P15,233

	December 31, 2014							Total
	AAIBV	LTHI	NCC	TGT and TSML	Angat Hydro and KWPP	BOC	MNHPI	
	Netherlands	Philippines	Philippines	Thailand	Philippines	Philippines	Philippines	
46.53%		45.58%	35.00%	44.90%	60.00%	44.90%	35.00%	
P1,246		(P389)	P170	(P66)	(P11)	P446	P102	P203
199		-	(24)	6	-	377	-	(6)
P1,445		(P389)	P146	(P60)	(P11)	P823	P102	P197
P -		P -	P -	P -	P -	P -	P -	P5
P8,732		P2,915	P3,782	P659	P1,819	P9,224	P987	P720
								P28,838

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

	December 31, 2015				
	Angat Hydro and KWPP	NCC	BOC	TGT and TSML	Others
Current assets	P1,146	P1,663	P128,320	P477	P2,825
Noncurrent assets	19,736	5,754	9,154	894	1,120
Current liabilities	(20,866)	(1,400)	(117,673)	(84)	(853)
Noncurrent liabilities	(36)	(38)	(3,071)	(950)	(889)
Net assets (liabilities)	(P20)	P5,979	P16,730	P337	P2,203
Sales	P1,249	P5,042	P3,955	P704	P2,004
Net income (loss)	(P882)	P780	P330	P105	P99
Other comprehensive income (loss)	-	(40)	1,935	-	-
Total comprehensive income (loss)	(P882)	P740	P2,265	P105	P99

	December 31, 2014						
	AAIBV	LTHI	NCC	TGT and TSML	Angat Hydro and KWPP	BOC	MNHPI
P21,293		P936	P1,763	P1,295	P407	P131,846	P1,974
60,669		2,532	4,374	1,330	20,187	8,865	8,091
(7,914)		(1,989)	(719)	(30)	(19,714)	(120,131)	(2,590)
(60,740)		(330)	(178)	(1,300)	(17)	(3,403)	(5,508)
P13,308		P1,149	P5,240	P1,295	P863	P17,177	P1,967
P11,831		P427	P4,545	P848	P154	P4,453	P2,115
P2,759		(P897)	P761	(P148)	(P19)	P1,330	P278
(131)		-	(69)	-	-	1,407	-
P2,628		(P897)	P692	(P148)	(P19)	P2,737	P278
							P171

14. Available-for-Sale Financial Assets

Available-for-sale financial assets consist of:

	<i>Note</i>	2015	2014
Equity securities		P40,933	P40,968
Government and other debt securities		457	722
Proprietary membership shares and others		226	200
	4, 41, 42	41,616	41,890
Less current portion	12	70	431
		P41,546	P41,459

Equity Securities

Equity securities include the investments in the shares of stock of Top Frontier consisting of 2,561,031 common shares and 1,904,540 preferred shares with a total amount of P35,597 and P35,742 as of December 31, 2015 and 2014, respectively. The shares were reclassified to "Available-for-sale financial assets" account in 2013 as a result of the property dividend distribution (Note 13).

Government Securities

- a) Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 4.47% to 8.88% in 2015 and 2014 (Note 32).
- b) Ovincor's corporate bonds are maintained at the HSBC Bank Bermuda Limited and carried at fair value with fixed annual interest rates 6.75% to 7.00% (Note 32).

The movements in AFS financial assets are as follows:

	<i>Note</i>	2015	2014
Balance at beginning of the year		P41,890	P42,406
Additions		163	298
Disposals		(438)	(359)
Amortization of premium		(15)	(14)
Reclassification	8	-	(527)
Fair value loss		(2)	86
Currency translation adjustment		18	-
Balance at end of the year	4, 41, 42	P41,616	P41,890

The methods and assumptions used to estimate the fair value of AFS financial assets are discussed in Note 42.

15. Property, Plant and Equipment

Property, plant and equipment consist of:

	<i>Note</i>	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Cost										
January 1, 2014		P25,474	P47,504	P221,761	P49,648	P15,669	P125,520	P2,176	P108,494	P596,246
Additions		771	3,438	5,028	789	1,292	6,041	112	21,669	39,140
Disposals/reclassifications/ acquisition of subsidiaries		2,788	(749)	-	682	(426)	(4,133)	(32)	5,988	4,118
Currency translation adjustments		(428)	(450)	-	(587)	(393)	(489)	(37)	(173)	(2,557)
December 31, 2014		28,605	49,743	226,789	50,532	16,142	126,939	2,219	135,978	636,947
Additions		869	3,743	-	1,177	1,191	9,041	115	43,837	59,973
Disposals/reclassifications/ acquisition of subsidiaries		3,036	(1,770)	-	(362)	(74)	5,132	(147)	2,938	8,753
Currency translation adjustments		(1,158)	(1,263)	-	(1,562)	(1,029)	(317)	-	(346)	(5,675)
December 31, 2015		31,352	50,453	226,789	49,785	16,230	140,795	2,187	182,407	699,998
Accumulated Depreciation and Amortization										
January 1, 2014		2,812	18,637	21,127	30,285	9,673	74,354	1,152	-	158,040
Depreciation and amortization	29	181	1,805	5,804	1,887	1,310	6,776	144	-	17,907
Disposals/reclassifications/ acquisition of subsidiaries		421	(227)	-	(40)	(274)	(3,149)	(21)	-	(3,290)
Currency translation adjustments		(31)	(276)	-	86	(238)	(796)	(5)	-	(1,260)
December 31, 2014		3,383	19,939	26,931	32,218	10,471	77,185	1,270	-	171,397
Depreciation and amortization	29	205	1,754	6,031	1,730	1,287	6,925	163	-	18,095
Disposals/reclassifications/ acquisition of subsidiaries		61	(777)	-	(109)	(53)	4,656	(284)	-	3,494
Currency translation adjustments		(75)	(722)	-	(751)	(565)	(841)	-	-	(2,954)
December 31, 2015		3,574	20,194	32,962	33,088	11,140	87,925	1,149	-	190,032

Forward

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Equipment, Furniture and Fixtures	Leasehold Improvements	Capital Projects in Progress	Total
Accumulated Impairment Losses										
January 1, 2014		P266	P2,663	P -	P -	P -	P8,517	P1	P -	P11,447
Impairment	29	-	-	-	-	-	19	-	-	19
Disposals and reclassifications		-	(403)	-	-	-	(885)	-	-	(1,288)
Currency translation adjustments		-	10	-	-	-	39	-	-	49
December 31, 2014		266	2,270	-	-	-	7,690	1	-	10,227
Impairment	29	-	202	-	-	-	2,129	-	-	2,331
Disposals and reclassifications		-	-	-	-	-	(9)	-	-	(9)
Currency translation adjustments		-	(22)	-	-	-	87	-	-	65
December 31, 2015		266	2,450	-	-	-	9,897	1	-	12,614
Carrying Amount										
December 31, 2014		P24,956	P27,534	P199,858	P18,314	P5,671	P42,064	P948	P135,978	P455,323
December 31, 2015		P27,512	P27,809	P193,827	P16,697	P5,090	P42,973	P1,037	P182,407	P497,352

“Equipment, furniture and fixtures” includes machinery, telecommunications equipment, transportation equipment, tools and small equipment and office equipment.

Total depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P20,426, P17,926 and P18,306 in 2015, 2014 and 2013, respectively (Notes 29 and 33). These amounts include annual amortization of capitalized interest amounting to P128, P123 and P117 in 2015, 2014 and 2013, respectively.

The Group has interest amounting to P3,027 and P3,621 which was capitalized in 2015 and 2014, respectively. The capitalization rates used to determine the amount of interest eligible for capitalization range from 4.347% to 6.77% and 4.88% to 8.10% in 2015 and 2014, respectively. The unamortized capitalized borrowing costs amounted to P12,047 and P9,148 as of December 31, 2015 and 2014, respectively.

The combined carrying amounts of power plants and equipment under finance lease amounted to P183,042 and P188,155 as of December 31, 2015 and 2014, respectively (Notes 4 and 35).

On November 4, 2013, the Parent Company, BPI and SMYPC signed respective Sale and Purchase Agreements and Asset Purchase Agreements with Coca-Cola Bottlers Philippines, Inc. and its subsidiary, Luzviminda Land Holdings, Inc., for the sale of the PET Plant and other properties located in Davao for P1,263. The Group recognized a gain amounting to P186, which was included as part of “Gain on sale of investments and property and equipment” account in the 2013 consolidated statement of income.

16. Investment Property

The movements in investment property are as follows:

	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Construction in Progress	Total
Cost					
January 1, 2014	P2,306	P534	P465	P1,631	P4,936
Additions	970	4	6	19	999
Reclassifications	125	-	3	(1,631)	(1,503)
Disposals	-	-	(6)	-	(6)
Currency translation adjustments	2	3	-	-	5
December 31, 2014	3,403	541	468	19	4,431
Additions	1,189	-	1	77	1,267
Reclassifications	(272)	412	-	5	145
Disposals	(4)	-	-	-	(4)
Currency translation adjustments	18	19	-	-	37
December 31, 2015	4,334	972	469	101	5,876
Accumulated Depreciation and Amortization					
January 1, 2014	101	205	446	-	752
Depreciation and amortization	8	13	11	-	32
Disposals and reclassifications	-	-	(6)	-	(6)
Currency translation adjustments	1	1	-	-	2
December 31, 2014	110	219	451	-	780
Depreciation and amortization	10	14	5	-	29
Reclassifications	16	284	-	-	300
Currency translation adjustments	5	8	-	-	13
December 31, 2015	141	525	456	-	1,122
Accumulated Impairment Losses					
December 31, 2014 and 2015	8	-	-	-	8
Carrying Amount					
December 31, 2014	P3,285	P322	P17	P19	P3,643
December 31, 2015	P4,185	P447	P13	P101	P4,746

No impairment loss was recognized in 2015 and 2014.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2015, 2014 and 2013.

The fair value of investment property amounting to P21,420 and P6,579 as of December 31, 2015 and 2014, respectively, has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group’s investment property on a regular basis.

Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied one or more or a combination of the three approaches below:

Cost Approach. This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

Sales Comparison Approach. The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

Income Approach. The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

17. Biological Assets

Biological assets consist of:

	<i>Note</i>	2015	2014
Current:			
Growing stocks		P2,950	P2,977
Goods in process		369	343
		3,319	3,320
Noncurrent:			
Breeding stocks - net	4	2,177	1,973
		P5,496	P5,293

The amortization of breeding stocks recognized in the consolidated statements of income amounted to P1,769, P1,537 and P1,524 in 2015, 2014 and 2013, respectively (Note 29).

Growing stocks pertain to growing broilers, hogs and cattle, while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	<i>Note</i>	2015	2014
Cost			
Balance at beginning of year		P6,173	P6,036
Increase (decrease) due to:			
Production		39,157	37,560
Purchases		604	896
Mortality		(712)	(734)
Sales and harvest		(37,072)	(36,184)
Retirement		(1,560)	(1,401)
Balance at end of year		6,590	6,173
Accumulated Amortization			
Balance at beginning of year		880	698
Additions	29	1,769	1,537
Retirement		(1,555)	(1,339)
Disposals		-	(16)
Balance at end of year		1,094	880
Carrying Amount		P5,496	P5,293

The Group harvested approximately 477.9 million and 452.9 million kilograms of grown broilers in 2015 and 2014, respectively, and 0.68 million and 0.75 million heads of marketable hogs and cattle in 2015 and 2014, respectively.

The aggregate fair value less estimated costs to sell of agricultural produce harvested during the year, determined at the point of harvest, amounted to P42,857 and P37,106 in 2015 and 2014, respectively.

18. Goodwill and Other Intangible Assets

Goodwill and other intangible assets consist of:

	2015	2014 As restated
Goodwill	P58,603	P41,211
Other intangible assets	139,969	45,114
	P198,572	P86,325

The movements in goodwill are as follows:

	<i>Note</i>	2015	2014 As restated
Balance at beginning of year		P41,211	P41,752
Additions	4, 5, 39	18,918	7
Currency translation adjustments and others		(1,526)	(548)
Balance at end of year	4	P58,603	P41,211

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

	<i>Note</i>	Licenses	Trademarks and Brand Names	Total
Cost				
January 1, 2014		P7,005	P436	P7,441
Currency translation adjustments		4	1	5
December 31, 2014		7,009	437	7,446
Additions		-	446	446
Acquisition of subsidiaries	5, 39	18,465	-	18,465
Currency translation adjustments		(69)	12	(57)
December 31, 2015		25,405	895	26,300
Accumulated Impairment Losses				
January 1, 2014		-	193	193
Currency translation adjustments		-	1	1
December 31, 2014		-	194	194
Impairment		-	14	14
Currency translation adjustments		-	11	11
December 31, 2015		-	219	219
Carrying Amount				
December 31, 2014		P7,009	P243	P7,252
December 31, 2015		P25,405	P676	P26,081

In November 2014, the Parent Company through SMPFC entered into an Intellectual Property Rights Transfer Agreement with Felicísimo Martínez & Co. Inc.'s (FMC) *La Pacita* for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to the *La Pacita* biscuit and flour-based snack business. SMPFC made a refundable deposit on the same date, included as part of "Non-trade" under "Trade and other receivables" account in the 2014 consolidated statement of financial position (Note 10).

In February 2015, the refundable deposit was reversed following the substantial fulfillment of the closing conditions and the payment of the consideration.

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

	Note	Toll Road Concession Rights	Leasehold and Land Use Rights	Mineral Rights and Evaluation Assets	Airport Concession Right	Computer Software and Licenses	Power Concession Right	Project Development Cost	Port Concession Right	Others	Total
Cost											
January 1, 2014		P13,312	P1,582	P1,720	P917	P218	P -	P11,040	P -	P2,119	P30,908
Additions		7,540	-	-	1,402	34	496	-	-	127	9,599
Acquisition of subsidiaries	5, 39	-	-	165	-	-	-	-	-	-	165
Disposals and reclassifications		11,040	(95)	-	-	(11)	-	(11,040)	-	104	(2)
Currency translation adjustments		-	6	-	-	1	-	-	-	(30)	(23)
December 31, 2014		31,892	1,493	1,885	2,319	242	496	-	-	2,320	40,647
Additions		10,052	-	-	1,056	21	47	-	621	388	12,185
Acquisition of subsidiaries	5, 39	71,564	-	-	-	4	-	-	10,353	29	81,950
Disposals and reclassifications		9	2	-	-	(31)	-	-	-	70	50
Currency translation adjustments		1,799	14	-	-	-	-	-	-	(84)	1,729
December 31, 2015		115,316	1,509	1,885	3,375	236	543	-	10,974	2,723	136,561
Accumulated Amortization											
January 1, 2014		258	510	-	25	122	-	-	-	1,209	2,124
Amortization		336	33	-	12	13	15	-	-	289	698
Disposals and reclassifications		-	(22)	-	-	-	-	-	-	(1)	(23)
Currency translation adjustments		-	2	-	-	-	-	-	-	(16)	(14)
December 31, 2014		594	523	-	37	135	15	-	-	1,481	2,785
Amortization		2,556	32	-	41	12	21	-	28	284	2,974
Acquisition of subsidiaries	5, 39	15,994	-	-	-	-	-	-	535	-	16,529
Disposals and reclassifications		-	-	-	-	(15)	-	-	-	190	175
Currency translation adjustments		259	2	-	-	-	-	-	-	(51)	210
December 31, 2015		19,403	557	-	78	132	36	-	563	1,904	22,673
Carrying Amount											
December 31, 2014		P31,298	P970	P1,885	P2,282	P107	P481	P -	P -	P839	P37,862
December 31, 2015		P95,913	P952	P1,885	P3,297	P104	P507	P -	P10,411	P819	P113,888

Project development cost represents the upfront fee paid by Vertex to the Department of Public Works and Highways (DPWH) for the NAIA Expressway Project which was reclassified to toll road concession rights as of December 31, 2014 (Note 35).

Goodwill, licenses and trademarks and brand names with indefinite lives and mineral rights and evaluation assets with finite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	2015			2014		
	Goodwill	Licenses, Trademarks and Brand Names	Mineral Rights and Evaluation Assets	Goodwill	Licenses, Trademarks and Brand Names	Mineral Rights and Evaluation Assets
Fuel and oil	P29,719	P -	P -	P30,947	P -	P -
Infrastructure	21,946	-	-	3,580	-	-
Food	2,820	676	-	2,820	229	-
Packaging	2,418	-	-	2,069	-	-
Beverage	905	1,719	-	1,000	1,802	-
Telecommunications	733	23,686	-	733	5,221	-
Energy	-	-	1,720	-	-	1,720
Others	62	-	165	62	-	165
Total	P58,603	P26,081	P1,885	P41,211	P7,252	P1,885

The recoverable amount of goodwill has been determined based on fair value less costs to sell or a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in 2015 and 2014. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

Impairment loss recognized in 2015 and 2014 amounted to P100 and P127, respectively (Note 33). No impairment loss was recognized in 2013.

The recoverable amount of licenses, trademarks and brand names has been determined based on a valuation using cash flow projections (value in use) covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The range of the growth rates used is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections ranged from 6.4% to 16.6% in 2015 and 2014. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

Impairment loss recognized in 2015 amounted to P14 (Note 33).

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.
- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

19. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	2015	2014
Noncurrent receivables and deposits - net	34, 36, 40, 41, 42	P9,389	P14,967
Deferred containers - net	4, 29	7,014	6,916
Advances to contractors and suppliers		3,939	-
Retirement assets	36	3,175	3,830
Deposits on land for future development		1,546	1,433
Noncurrent prepaid rent		2,228	2,989
Restricted cash	41, 42	1,431	1,055
Noncurrent prepaid input tax		1,418	1,435
Idle assets	4	1,194	785
Catalyst		947	1,540
Deferred exploration and development costs	4, 35	690	673
Others		2,677	1,391
		P35,648	P37,014

Noncurrent receivables and deposits include amounts owed by related parties amounting to P5,771 and P11,427 as of December 31, 2015 and 2014, respectively (Note 34) and the costs related to the capitalized expenditures for the development of the Metro Rail Transit Line 7 (MRT 7) Project amounting to P2,598 and P2,429 as of December 31, 2015 and 2014, respectively (Note 35).

Restricted cash represents: (i) SPI's Cash Flow Waterfall Accounts with a local bank amounting to P1,209 and P1,021 as of December 31, 2015 and 2014, respectively, as part of the provisions in the Omnibus Loan and Security Agreement; and (ii) APEC's reinvestment fund for sustainable capital expenditures and cash collected from customers for membership fees and bill deposits which are refundable amounting to P103 and P34 as of December 31, 2015 and 2014, respectively.

The methods and assumptions used to estimate the fair values of noncurrent receivables and deposits and restricted cash are discussed in Note 42.

"Others" consist of marketing assistance to dealers and other noncurrent prepaid expenses.

20. Loans Payable

Loans payable consist of:

	<i>Note</i>	2015	2014
Parent Company			
Peso-denominated		P7,050	P7,685
Subsidiaries			
Peso-denominated		123,035	136,265
Foreign currency-denominated		16,774	36,109
	41, 42	P146,859	P180,059

Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans range from 2.00% to 5.50% in 2015 and 2014. Interest rates for foreign currency-denominated loans range from 3.00% to 12.60% and from 1.63% to 9.00% in 2015 and 2014, respectively (Note 31).

Loans payable include interest-bearing amounts payable to a related party amounting to P3,988 and P6,400 as of December 31, 2015 and 2014, respectively (Note 34).

Loans payable of the Group are not subject to covenants.

21. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	2015	2014
Trade		P46,692	P56,250
Non-trade		41,596	56,447
Accrued payroll		4,771	4,528
Amounts owed to related parties	34	2,963	499
Derivative liabilities	41, 42	2,581	325
Accrued interest payable		2,434	2,379
Retention payable		1,203	-
Current portion of IRO	4	370	21
Retirement liabilities	36	91	127
Subscriptions payable		-	28
Payables on the purchase of shares of stock		-	1,206
Others		135	34
	41, 42	P102,836	P121,844

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

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

"Others" include accruals for materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair value of derivative liabilities are discussed in Note 42.

22. Long-term Debt

Long-term debt consists of:

	2015	2014
Parent Company		
Term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2018 (a)	P77,749	P73,506
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2020 (b)	13,210	-
Fixed interest rate of 4.875% with maturities up to 2023 (c)	24,044	35,336
Peso-denominated:		
Floating interest rate based on PDST-F plus margin, with maturities up to 2015 (d)	-	7,850
	115,003	116,692
Subsidiaries		
Bonds:		
Peso-denominated:		
Fixed interest rate of 6.05%, 5.93% and 6.60% maturing in 2017, 2019 and 2022, respectively (e)	19,889	19,862
Fixed interest rate of 5.50% and 6.00% maturing in 2021 and 2024, respectively (f)	14,881	14,863
Fixed interest rate of 4.9925%, 5.5796% and 6.4872% maturing in 2020, 2022 and 2025, respectively (g)	7,217	-
Fixed interest rate of 10.50% maturing in 2019 (h)	2,796	2,793
Foreign currency-denominated:		
Fixed interest rate of 7.00% maturing in 2016 (i)	13,952	13,190
Term notes:		
Foreign currency-denominated:		
Fixed interest rate of 12.45%, 12.85% and 13.27% maturing in 2016 (j)	65	-
Peso-denominated:		
Fixed interest rate of 7.00% maturing in 2017 (k)	19,926	19,891
Fixed interest rate based on PDST-F plus margin, with maturities up to 2021 (l)	14,824	11,415
Fixed interest rate of 6.2921% and 6.0606% with maturities up to 2023 (m)	12,056	13,386
Fixed interest rate of 6.52% maturing in 2021 (n)	9,163	-
Fixed interest rate of 8.74899% maturing in 2022 (o)	8,676	-
Fixed interest rate of 6.9343%, 6.9983% and 7.5573% maturing in 2027 (p)	8,579	-
Fixed interest rate of 6.81768%, 6.8385% and 7.2374% maturing in 2025 (q)	6,321	-
Fixed interest rate of 5.4583% plus Gross Receipts Tax (GRT) maturing in 2022 (r)	4,976	-
Fixed interest rate of 6.3212% and 7.1827% with maturities up to 2018 and 2021, respectively (s)	3,433	3,466

Forward

	<i>Note</i>	2015	2014
Fixed interest rate of 6.6583% with maturities up to 2023 (t)		P3,384	P3,462
Fixed interest rate of 5.65% with maturities up to 2019 (u)		2,250	-
Fixed interest rate of 6.175% and 6.145% maturing in 2016 (v)		1,500	1,500
Floating interest rate based on PDST-F plus margin, maturing in 2015 (w)		-	3,693
Fixed interest rate of 5.4885% maturing in 2015 (w)		-	798
Floating interest rate based on PDST-F plus margin or BSP overnight rate plus margin, whichever is higher, with maturities up to 2019 (x)		3,243	3,240
Floating interest rate based on PDST-F plus margin, with maturities up to 2022 (y)		3,177	3,175
Floating interest rate based on PDST-F plus margin, with maturities up to 2021 (z)		349	349
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018 (aa)		343	457
Foreign currency-denominated:			
Floating interest rate based on LIBOR plus margin, with maturities up to 2018 (bb)		32,439	21,984
Floating interest rate based on LIBOR plus margin, with maturities up to 2020 (cc)		25,177	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2016 (dd)		15,850	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2019 (ee)		15,639	20,821
Floating interest rate based on Cost of Fund (COF) plus margin, with maturities up to 2019 (ff)		3,269	3,805
Floating interest rate based on LIBOR plus margin (gg)		-	15,094
Floating interest rate based on LIBOR plus margin (hh)		-	9,052
		253,374	186,296
	<i>41, 42</i>	368,377	302,988
Less current maturities		37,554	19,852
		P330,823	P283,136

- a. The amount represents drawdown by the Parent Company on various dates in 2013 to pay in full and refinance the US\$1,000 loan availed in 2010, to fund infrastructure investments and for general corporate purposes.

Unamortized debt issue costs amounted to P841 and P1,176 as of December 31, 2015 and 2014, respectively.

- b. The amount represents the drawdown of US\$287 on September 8, 2015 from the Parent Company's US\$800-Term Facility signed in March 2015. Proceeds for the five-year floating rate loan were used for the repayment of the Medium Term Note (MTN) Tender Offer in April 2015.

Unamortized debt issue costs amounted to P296 as of December 31, 2015.

- c. The amount represents the drawdown of US\$800 Notes (the “Notes”) issued on April 19, 2013, from the Parent Company’s US\$2,000 MTN Programme. The Notes which were listed on the SGX-ST on the same date bear interest at the rate of 4.875% per annum, payable semi-annually in arrears every 26th of April and October of each year.

On March 19, 2015, the Parent Company announced in the SGX-ST the tender offer for the purchase of up to US\$400 of the US\$800 Notes.

On April 10, 2015, the Parent Company purchased US\$284 of the US\$400 Notes offered for purchase in the tender offer. The aggregate cash amount paid by the Parent Company based on the aggregate principal amount of the Notes repurchased is US\$278. The Parent Company recognized a gain on redemption amounting to P275 included as part of “Others” under “Other income (charges)” account in the 2015 consolidated statement of income (Note 33).

Unamortized debt issue costs amounted to P257 and P440 as of December 31, 2015 and 2014, respectively.

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

On December 14, 2015, the Parent Company paid the remaining balance of the loan amounting to P7,850.

- e. The amount represents SMB’s Bonds worth P20,000, which were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 16, 2012. The Bonds were issued on April 2, 2012 at the issue price of 100.00% of face value in three series: Series D Bonds with fixed interest rate of 6.05% per annum; Series E Bonds with a fixed interest rate of 5.93% per annum; and Series F Bonds with a fixed interest rate of 6.60% per annum. The proceeds were used to refinance SMB’s existing financial indebtedness and for general working capital purposes.

The Series E Bonds and Series F Bonds were listed on the Philippine Dealing & Exchange Corp. (PDEx) on April 2, 2012 while the Series D Bonds were listed for trading on the PDEx effective October 3, 2012.

Unamortized debt issue costs amounted to P111 and P138 as of December 31, 2015 and 2014, respectively.

- f. The amount represents the issuance of SMB of the Philippine Peso fixed rate bonds in the aggregate principal amount of P15,000, consisting of Series G Bonds in the aggregate principal amount of P12,462 with a term of seven years and interest rate of 5.50% per annum and Series H Bonds in the aggregate principal amount of P2,538 with a term of ten years and interest rate of 6.00% per annum (Series GH Bonds).

Interest on the Series GH Bonds is paid every April 2 and October 2 of each year (each on Interest Payment Date). SMB may (but shall be likewise not obligated to) redeem all (and not a part only) of the outstanding Series GH Bonds on the 11th Interest Payment Date for the Series G Bonds, and on the 14th, 16th or 18th Interest Payment Dates for the Series H Bonds.

The Series GH Bonds were listed on the PDEx on April 2, 2014.

Unamortized debt issue costs amounted to P119 and P137 as of December 21, 2015 and 2014, respectively.

- g. The amount represents SLTC's peso-denominated fixed rate bonds (SLTC Bonds) worth P7,300. The SLTC Bonds were issued in three series: Series A Bonds amounting to P2,400 with a fixed interest rate of 4.9925% per annum, Series B Bonds amounting to P2,400 with a fixed interest rate of 5.5796% per annum and Series C Bonds amounting to P2,500 with a fixed interest rate of 6.4872% per annum.

The net proceeds of the bond offering were used to prepay the five-year Peso-denominated Corporate Notes drawn in 2012. The SLTC Bonds were listed on the PDEX on May 22, 2015.

Unamortized debt issue costs amounted to P83 as of December 31, 2015.

- h. The amount represents SMB's peso denominated fixed rate Series C Bonds with an aggregate principal amount of P2,810 which was part of the P38,800 SMB Bonds sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 17, 2009. The SMB Bonds were listed on the PDEX for trading on November 17, 2009.

Unamortized debt issue costs amounted to P14 and P17 as of December 31, 2015 and 2014, respectively.

- i. The amount represents US\$300, 7%, five-year bond issued by SMC Global in 2011 under the Regulations of the US Securities Act of 1933, as amended. The unsecured bond issue is listed on the SGX-ST.

Unamortized bond issue costs amounted to P5 and P72 as of December 31, 2015 and 2014, respectively.

- j. The amount represents unsecured facility loans entered into by PT SMPFI in 2015 with a foreign bank amounting to P65. PT SMPFI obtained the loans in three tranches with fixed interest rates of 12.85%, 12.45% and 13.27%, all maturing on December 9, 2016. Proceeds were used to refinance capital expenditure requirements including the purchase of machineries.
- k. The amount represents P20,000 peso-denominated notes issued by Petron in 2010. The notes bear interest of 7% per annum, payable semi-annually in arrears every 10th of May and November of each year. The notes will mature on November 10, 2017. The principal and interest will be translated into and paid in US dollar based on the average representative market rate at the applicable rate calculation date at the time of each payment.

Unamortized debt issue costs amounted to P74 and P109 as of December 31, 2015 and 2014, respectively.

- l. The amount represents series of drawdowns by PIDC from the P15,140 loan facility agreement with creditor banks, to finance the TPLEX Project. The loan is payable in 24 quarterly installments commencing on the 51st month from the initial borrowing dates, inclusive of not more than four-year grace period. Final repayment date is 10 years after initial borrowing.

The loan is subject to repricing on the 5th year from the date of initial drawdown.

Unamortized debt issue costs amounted to P127 and P85 as of December 31, 2015 and 2014, respectively.

- m. The amount represents P12,300 and P1,500 drawn by SPI on September 30, 2013 and 2014, respectively, from the P13,800 ten-year term loan facility agreement with syndicate of banks.

Pursuant to the Facility Agreement, the amount of the loan drawn in 2015 and 2014 will bear interest at the rate of 6.5446% and 6.3131%, respectively, as determined by the Facility Agent. Effective November 28, 2014, step-down interest rate is at 6.2921% and 6.0606% for 2015 and 2014 loans, respectively. The Facility Agreement has a final maturity date of September 2023.

The proceeds of the loan were used for the acquisition of the 2 x 35 MW Co-Generation Coal Fuel-Fired Power Plant and all other pertinent machinery, equipment, facilities and structures for the expansion of the capacity. The drawdown includes payable to BOC amounting to P3,103 and P3,451 as of December 31, 2015 and 2014, respectively (Note 34).

Unamortized debt issue costs amounted to P178 and P221 as of December 31, 2015 and 2014, respectively.

- n. The amount represents P14,500 Corporate Notes Facility entered into by AAIPC with various banks. Proceeds of the loan were used to finance the acquisition of the shares of stock of CMMTC. The loan is payable semi-annually until September 27, 2021. The drawdown includes payable to BOC amounting to P2,566 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P140 as of December 31, 2015.

- o. The amount represents P11,500 Corporate Notes Facility with various banks, drawn by MTDME in 2012. Proceeds of the loan were used to refinance the Holding Company Facility Agreement entered into by AAIBV amounting to US\$250 in which MTDME was a replacement borrower. The loan is payable semi-annually until 2022. The drawdown includes payable to BOC amounting to P1,338 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P116 as of December 31, 2015.

- p. The amount represents the P8,700 loan drawn by CCEC in 2015, from the P31,000 Loan Facility with various banks. The loan is payable in 35 unequal consecutive quarterly installments. Proceeds of the loan were used to finance the design, construction and the operation and maintenance of the Stage 3 of Metro Manila Skyway Project. The drawdown includes payable to BOC amounting to P1,038 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P121 as of December 31, 2015.

- q. The amount represents the P6,400 loan drawn by Vertex in 2015, from the P7,500 Loan Facility with various banks. The loan is payable in quarterly installments up to February 27, 2025. Proceeds of the loan were used to finance the ongoing construction of the NAIA Expressway Project. The drawdown includes payable to BOC amounting to P1,707 as of December 31, 2015 (Note 34).

Unamortized debt issue costs amounted to P79 as of December 31, 2015.

- r. The amount represents P5,000 loan drawn by Petron on October 13, 2015 from the term loan facility agreement signed and executed on October 7, 2015. The facility is amortized over seven years with a two-year grace period and is subject to a fixed rate of 5.4583% plus GRT.

Unamortized debt issue costs amounted to P24 as of December 31, 2015.

- s. The amount represents Fixed Rate Corporate Notes (FXCN) issued by Petron in 2011 consisting of Series A Notes amounting to P690 having a maturity of up to seven years from the issue date and Series B Notes amounting to P2,910 having a maturity of up to ten years from the issue date. The FXCNs are subject to fixed interest coupons of 6.3212% per annum for the Series A Notes and 7.1827% per annum for the Series B Notes. The net proceeds from the issuance were used for general corporate requirements.

Unamortized debt issue costs amounted to P23 and P27 as of December 31, 2015 and 2014, respectively.

- t. The amount represents the P3,500 loan facility with local banks, entered into by SIDC in 2013. The proceeds of the loan were used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project. Repayment period is within 32 unequal consecutive quarterly installments on each repayment date in accordance with the agreement beginning on the earlier of (i) the 27th month from initial drawdown date or (ii) the 3rd month from the date of receipt by SIDC of the financial completion certificate for the Project.

Unamortized debt issue costs amounted to P31 and P38 as of December 31, 2015 and 2014, respectively.

- u. The amount represents the P3,000 loan facility with local banks, which was fully drawn in 2013. The loan is payable within seven years in equal quarterly installments up to 2019. Proceeds of the loan were used to finance the modernization, development and maintenance of MNHPI.
- v. The amount represents drawdown by SMCSLC in 2011, from a local bank, which was used for working capital requirements.
- w. The amount represents corporate notes which SMFI offered for sale and subscription to the public in December 2010. These are Philippine peso-denominated fixed rate and floating rate notes with principal amounts of P800 and P3,700, respectively. Both types of notes have a term of five years and one day beginning on December 10, 2010 and ending on December 11, 2015. The fixed rate note bears interest of 5.4885% per annum while the floating rate note bears interest based on 3-month PDST-F plus an agreed margin. Proceeds from the issuance of the notes were used to fund expansion and investment in new businesses by SMFI and for general corporate purposes. SMFI fully paid the said corporate notes on their maturity date.

Unamortized debt issue costs amounted to P9 as of December 31, 2014.

- x. The amount represents drawdown from the loan agreement entered into by SMYPC with BOC in October 2012 amounting to P3,500 used for general financing and corporate requirements maturing on October 11, 2019. In April 2014, SMYPC paid P250 as partial settlement of the loan principal (Note 34).

Unamortized debt issue costs amounted to P7 and P10 as of December 31, 2015 and 2014, respectively.

- y. The amount represents series of drawdowns in 2014 and 2013, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in 28 quarterly installments commencing on the 12th quarter (Note 34).

Unamortized debt issue costs amounted to P12 and P14 as of December 31, 2015 and 2014, respectively.

- z. The amount represents the seven-year bank loan obtained by CAI from BOC in April 2014 amounting to P350. The loan was obtained for capital expenditure purposes (Note 34).

Unamortized debt issue costs amounted to P1 as of December 31, 2015 and 2014.

- aa. The amount represents EPSBPI's unsecured loan used to finance the construction of its bottling facilities. The loan is payable in equal quarterly installments starting February 18, 2012, bearing an interest rate equivalent to the higher of benchmark rate (three-month PDST-F rate) plus a spread or the overnight rate (BSP overnight reverse repo rate on interest rate settling date).
- bb. The amount represents SMC Global's drawdown of US\$500 from the US\$650, five-year term loan with a syndicate of banks signed on September 8, 2013. The loan proceeds were used to refinance SMC Global's existing US\$200 three-year term loan and to finance new investments in power-related assets. On November 15, 2013, the US\$650 facility agreement was amended to increase the facility amount to US\$700.

On March 6, 2015, SMC Global made the final drawdown of US\$200 for the financing of ongoing construction of power plants in Davao and Limay, investments in power-related assets, and for general corporate purposes.

Unamortized debt issue costs amounted to P503 and P376 as of December 31, 2015 and 2014, respectively.

- cc. The amount represents the US\$550 loan drawn by Petron on July 29, 2015, from a US\$550 refinancing facility which was signed and executed on July 20, 2015. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to pay in full the remaining outstanding balances of about US\$206 and US\$345 under the US\$480 and US\$485 term loan facility, respectively. On November 11, 2015, Petron completed the syndication of facility with 29 banks.

Unamortized debt issue costs amounted to P706 as of December 31, 2015.

- dd. The amount represents the US\$340 loan facility agreement entered into by AAIBV with Standard Chartered Bank in September 17, 2014. Proceeds of the loan were used for payment of the subscription price for S3CTH shares subscribed by AAIBV and payment of the subscription price of CCEC shares provided to Philippine National Construction Corporation. The loan is payable lump sum on September 19, 2016 and bears an interest rate of the sum of 5.375% margin rate and LIBOR rate applicable to the loan payable at the end of each interest period.

Unamortized debt issue costs amounted to P151 as of December 31, 2015.

- ee. The amount represents the US\$300 loan facility signed and executed by Petron on May 14, 2014. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. The total amount was drawn in 2014 and the proceeds were used to refinance existing debt and for general corporate purposes. On September 29, 2014, Petron completed the syndication of the facility, raising the facility amount to US\$475. Drawdowns related to the additional US\$175 were made on October 24 and November 6, 2014. Amortization in seven equal amounts will start in May 2016, with final amortization due in May 2019. In 2015, Petron made partial payments amounting to US\$135.

Unamortized debt issue costs amounted to P361 and P421 as of December 31, 2015 and 2014, respectively.

- ff. The amount represents the Malaysian Ringgit (MYR) 300 loan availed by Petron Malaysia in 2014. Proceeds from the loans were used to finance the refurbishment of the retail stations in Malaysia. All loans bear an interest rate of COF plus margin.

Unamortized debt issue costs amounted to P20 and P33 as of December 31, 2015 and 2014, respectively.

- gg. The amount represents the US\$485 drawn from the loan facility signed and executed by Petron on October 31, 2012. The facility is amortized over five years with two-year grace period and is subject to a floating interest rate plus a fixed spread. The proceeds were used to finance the capital expenditure requirements of Refinery Master Plan Phase 2 (RMP-2) Project. Petron made partial payments in 2014 amounting to US\$140. On July 29, 2015, Petron fully prepaid the remaining balance of US\$345 using the proceeds from a US\$550 refinancing facility.

Unamortized debt issue costs amounted to P335 as of December 31, 2014.

- hh. The amount represents the US\$480 term loan facility signed and executed by Petron on September 30, 2011. The 1st drawdown of US\$80 was made on November 25, 2011. Petron availed of the remaining US\$400 of the term loan facility on February 15, 2012. The loan proceeds were used to finance the capital expenditure requirements of the RMP-2 Project. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. Petron made partial payments in previous years amounting to US\$274. On July 29, 2015, Petron fully prepaid the remaining balance of the loan using the proceeds from a US\$550 refinancing facility.

Unamortized debt issue costs amounted to P148 as of December 31, 2014.

Long-term debt includes interest-bearing amounts payable to a related party amounting to P16,541 and P10,240 as of December 31, 2015 and 2014, respectively (Note 34).

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements as of December 31, 2015 and 2014.

The movements in debt issue costs are as follows:

	<i>Note</i>	2015	2014
Balance at beginning of year		P3,807	P3,919
Additions		1,341	1,093
Amortization	31	(1,157)	(764)
Reclassification, capitalized and others		409	(441)
Balance at end of year		P4,400	P3,807

Repayment Schedule

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

Year	Gross Amount	Debt Issue Costs	Net
2016	P37,849	P295	P37,554
2017	41,795	873	40,922
2018	137,356	1,813	135,543
2019	35,531	384	35,147
2020 and thereafter	120,246	1,035	119,211
Total	P372,777	P4,400	P368,377

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 41.

23. Other Noncurrent Liabilities

Other noncurrent liabilities consist of:

	<i>Note</i>	2015	2014
Retirement liabilities	36	P11,668	P7,970
Subscription deposits		6,910	-
Amounts owed to related parties	34	6,222	54
Obligation to ROP - service concession agreement	4, 18, 35	2,456	71
ARO	4	1,839	1,659
IRO	4	683	68
Cylinder deposits		454	442
Cash bonds		382	870
Concession liabilities		105	107
Redeemable preferred shares	4	15	15
Others		1,827	835
	41, 42	P32,561	P12,091

Redeemable Preferred Shares. These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year PDST-F). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares will be mandatorily redeemed at the end of the ten-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

Subscription Deposits. In 2015, Vega received P6,910 as a deposit for future stock subscription from a certain investor.

“Others” include amounts owed to a supplier for the purchase of equipment amounting to P1,487 as of December 31, 2015.

24. Income Taxes

Deferred tax assets and liabilities arise from the following:

	2015	2014
Allowance for impairment losses on trade and other receivables and inventory	P3,643	P3,643
MCIT	747	486
NOLCO	487	1,408
Undistributed net earnings of foreign subsidiaries	(828)	(713)
Unrealized intercompany charges and others	(2,937)	2,007
	P1,112	P6,831

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

	<i>Note</i>	2015	2014
Deferred tax assets	4	P16,441	P14,651
Deferred tax liabilities		(15,329)	(7,820)
		P1,112	P6,831

As of December 31, 2015, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year		NOLCO	MCIT
Incurring/Paid	Carryforward Benefits Up To		
2013	December 31, 2016	P800	P8
2014	December 31, 2017	398	341
2015	December 31, 2018	424	398
		P1,622	P747

The components of income tax expense are shown below:

	2015	2014	2013
Current	P14,996	P10,891	P11,712
Deferred	1,948	(607)	(8,012)
	P16,944	P10,284	P3,700

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

	2015	2014 As restated	2013 As restated
Statutory income tax rate	30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	(2.82%)	(3.10%)	(1.93%)
Equity in net losses (earnings) of associates and joint ventures	0.25%	(1.31%)	0.27%
Gain on sale of investments subject to final or capital gains tax	(0.06%)	(0.38%)	(22.25%)
Others, mainly income subject to different tax rates - net	9.51%	1.25%	0.65%
Effective income tax rate	36.88%	26.46%	6.74%

25. Equity

a. Amendments to the Articles of Incorporation

On July 23, 2009, during the annual stockholders' meeting of the Parent Company, the stockholders approved the amendments to the Articles of Incorporation of the Parent Company providing for the declassification of the common shares of the Parent Company. The authorized capital stock of the Parent Company amounting to P22,500 was divided into 2,034,000,000 Class "A" common shares, 1,356,000,000 Class "B" common shares with a par value of P5.00 per share and 1,110,000,000 Series "1" Preferred Shares with a par value of P5.00 per share, and defined the terms and features of the Series "1" Preferred Shares. The SEC approved the amendments to the Amended Articles of Incorporation of the Parent Company on August 20, 2009.

During the April 18, 2012 and June 14, 2012 meetings of the BOD and stockholders of the Parent Company, respectively, the BOD and stockholders approved the amendments to the Articles of Incorporation of the Parent Company, to increase the authorized capital stock of the Parent Company from P22,500 to P30,000 as follows: (a) the increase in the number of the common shares from 3,390,000,000 common shares to 3,790,000,000, or an increase of 400,000,000 common shares; and (b) the creation and issuance of 1,100,000,000 Series "2" Preferred Shares with a par value of P5.00 per share.

On September 21, 2012, the SEC approved the amendment to the Articles of Incorporation of the Parent Company to increase the authorized capital stock, and consequently creating the Series "2" Preferred Shares.

On June 9, 2015, during the annual stockholders meeting of the Parent Company, the stockholders approved the amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” Preferred Shares to Series “2” Preferred Shares. With the approval of the reclassification, the resulting distribution of the preferred shares of the Parent Company was 300,000,000 for Series “1” Preferred Shares and 1,910,000,000 for Series “2” Preferred Shares. The stockholders also approved the issuance of the Series “2” Preferred Shares subject to the passage of Enabling Resolutions containing the details of the terms and conditions of the issuance.

The amendment to Article VII of the Amended Articles of Incorporation of the Parent Company to reclassify 810,000,000 Series “1” Preferred Shares to Series “2” Preferred Shares was approved by the SEC on July 14, 2015.

b. Capital Stock

Common Shares

On July 27, 2010, the BOD of the Parent Company approved the offer to issue approximately 1,000,000,000 common shares (from unissued capital stock and treasury shares) at a price of not less than P75.00 per share.

Effective August 26, 2010, all Class “A” common shares and Class “B” common shares of the Parent Company were declassified and are considered as common shares without distinction, as approved by the SEC. Both shall be available to foreign investors, subject to the foreign ownership limit.

The Parent Company has a total of 36,718 common stockholders as of December 31, 2015.

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

	<i>Note</i>	2015	2014
Issued and outstanding shares at beginning of year		3,282,897,671	3,282,756,743
Issuances during the year	<i>28</i>	379,844	140,928
Issued shares at end of year		3,283,277,515	3,282,897,671
Less treasury shares		904,752,537	904,752,537
Issued and outstanding shares at end of year		2,378,524,978	2,378,145,134

Preferred Shares

i. Series “1” Preferred Shares

Series “1” Preferred Shares have a par value of P5.00 per share and are entitled to receive cash dividends upon declaration by and at the sole option of the BOD of the Parent Company at a fixed rate of 8% per annum calculated in respect of each Series “1” preferred share by reference to the Issue Price thereof in respect of each dividend period.

Series “1” Preferred Shares are non-voting except as provided for under the Corporation Code. The Series “1” Preferred Shares are redeemable in whole or in part, at the sole option of the Parent Company, at the end of three years from the issue date at P75.00 plus any accumulated and unpaid cash dividends.

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

On July 23, 2009, the stockholders of the Parent Company approved the Offer by the Parent Company to exchange existing common shares of up to approximately 35% of the issued and outstanding capital stock of the Parent Company with Series “1” Preferred Shares. The exchange ratio was one common share for one Series “1” preferred share and the qualified shareholders of record as of July 2, 2009, were vested with the right to participate on the exchange.

On October 5, 2009, the Parent Company completed the exchange of 476,296,752 Class “A” common shares and 396,876,601 Class “B” common shares for Series “1” Preferred Shares.

On October 15, 2009, the BOD of the Parent Company approved the issuance, through private placement, of up to 226,800,000 Series “1” Preferred Shares.

On December 22, 2009, the Parent Company issued 97,333,000 Series “1” Preferred Shares to qualified buyers and by way of private placement to not more than 19 non-qualified buyers at the issue price of P75.00 per Series “1” preferred share.

On December 8, 2010 and October 3, 2011, the Parent Company listed 873,173,353 and 97,333,000 Series “1” Preferred Shares worth P65,488 and P7,300, respectively.

On August 13, 2012, the BOD of the Parent Company approved the redemption of Series “1” Preferred Shares at a redemption price of P75.00 per share.

On October 5, 2012, 970,506,353 Series “1” Preferred Shares were reverted to treasury.

On April 14, 2015, the Parent Company reissued 279,406,667 Series “1” Preferred Shares in the name of certain subscribers at P75.00 per share. The Series “1” Preferred Shares became tradable at the PSE beginning June 10, 2015.

The Parent Company has 279,406,667 outstanding Series “1” Preferred Shares and has a total of three preferred stockholders as of December 31, 2015.

ii. Series “2” Preferred Shares

In September 2012, the Parent Company issued 1,067,000,000 Series “2” Preferred Shares at the issue price of P75.00 per share. The said Series “2” Preferred Shares worth P80,025 were listed at the PSE on September 28, 2012.

The Series “2” Preferred Shares were issued in three sub-series (Subseries “2-A”, Subseries “2-B” and Subseries “2-C”) and were peso-denominated, perpetual, cumulative, non-participating and non-voting.

The Parent Company has the redemption option starting on the 3rd, 5th and 7th year and every dividend payment thereafter, with a “step-up” rate effective on the 5th, 7th and 10th year, respectively, if the shares are not redeemed. Dividend rates are 7.500%, 7.625%, 8.000% per annum for Subseries “2-A”, “2-B” and “2-C”, respectively.

On September 21, 2015, the Parent Company issued and listed in the PSE 446,667,000 Series “2” Preferred Shares in three sub-series (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, “2-E” and “2-F”, respectively.

The Parent Company received P33,500 from the issuance of the shares and used the proceeds from such issuance to redeem the Subseries “2-A” Preferred Shares.

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” Preferred Shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 to the holders of Subseries “2-A” Preferred Shares.

The Parent Company has 792,654,600 outstanding Series “2” Preferred Shares and has a total of 702 preferred stockholders as of December 31, 2015.

The Parent Company has 1,067,000,000 outstanding Series “2” Preferred Shares and has a total of 935 preferred stockholders as of December 31, 2014.

c. *Treasury Shares*

Treasury shares consist of:

	2015	2014	2013
Common	P67,093	P67,093	P67,166
Preferred	72,408	72,788	72,788
	P139,501	P139,881	P139,954

I. *Common Shares*

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

	Note	2015	2014	2013
Number of shares at beginning of year		904,752,537	905,761,960	908,892,669
Cancellation of ESPP	40	-	68,150	3,410,250
Conversion of exchangeable bonds		-	(1,077,573)	(6,540,959)
Number of shares at end of year		904,752,537	904,752,537	905,761,960

1. A portion of the total treasury shares of the Parent Company came from 25,450,000 common shares, with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by the Parent Company with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of the Parent Company shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring the Parent Company to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the “Sandiganbayan Resolution”).

On October 10, 2000, the Parent Company filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than the Parent Company, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On September 19, 2003, the PCGG wrote the Parent Company to deliver to the PCGG the stock certificates and cash and stock dividends under the Sandiganbayan Resolution upheld by the Supreme Court. The Parent Company referred the matter to its external financial advisor and external legal counsel for due diligence and advice. The external financial advisor presented to the BOD on December 4, 2003 the financial impact of compliance with the resolution considering “with and without due compensation” scenarios, and applying different rates of return to the original amount paid by the Parent Company. The financial advisor stated that if the Parent Company is not compensated for the conversion of the treasury shares, there will be: (a) a negative one-off EPS impact in 2003 of approximately 17.5%; (b) net debt increase of approximately P2,100; and (c) a negative EPS impact of 6.9% in 2004. The external legal counsel at the same meeting advised the BOD that, among others, the facts reviewed showed that: (a) the compromise shares had not been validly sequestered; (b) no timely direct action was filed to nullify the transaction; (c) no rescission can be effected without a return of consideration; and (d) more importantly, requiring the Parent Company to deliver what it acquired from the sellers without a substantive ground to justify it, and a direct action in which the Parent Company is accorded full opportunity to defend its rights, would appear contrary to its basic property and due process rights. The external legal counsel concluded that the Parent Company has “legal and equitable grounds to challenge the enforcement” of the Sandiganbayan Resolution.

On January 29, 2004, the external legal counsel made the additional recommendation that the Parent Company should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of the Parent Company shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of the Parent Company shares of stock should exclude the treasury shares.

At its January 29, 2004 meeting, the BOD of the Parent Company unanimously decided to: (a) deny the PCGG demand of September 19, 2003, and (b) authorize the filing of the Complaint-in-Intervention. Accordingly, the external legal counsel informed the PCGG of the decision of the Parent Company and the Complaint-in-Intervention was filed in the Civil Case.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

The external legal counsel advised that because the Sandiganbayan had disallowed the Parent Company's intervention, the Sandiganbayan's disposition of the so-called CIIF block of the Parent Company shares in favor of the Government cannot bind the Parent Company, and that the Parent Company remains entitled to seek the nullity of that disposition should it be claimed to include the treasury shares.

The external legal counsel also advised that the Government has, in its own court submissions: (i) recognized the Parent Company's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) taken the position that the Parent Company and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation. The Executive Committee of the Parent Company approved the recommendation of external legal counsel on January 18, 2008 which was ratified by the BOD on March 6, 2008.

On July 23, 2009, the stockholders of the Parent Company approved the amendment of the Articles of Incorporation to issue Series "1" Preferred Shares, and the offer to exchange common shares to Series "1" Preferred Shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in the Parent Company in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" Preferred Shares.

On February 11, 2010, the Supreme Court, amending its Resolution dated September 17, 2009, authorized the PCGG to exercise discretion in depositing in escrow, the net dividend earnings on, and/or redemption proceeds from, the Series "1" Preferred Shares of the Parent Company, either with the Development Bank of the Philippines/Land Bank of the Philippines or with the UCPB. All dividends accruing to the Series "1" Preferred Shares are remitted to the escrow account established with UCPB. On October 5, 2012, the Parent Company redeemed all Series "1" Preferred Shares including those Series "1" Preferred Shares in the name of the CIIF Holding

Companies. Proceeds of such redemption with respect to Series “1” Preferred Shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As of October 5, 2012, CIIF Holding Companies are no longer stockholders of the Parent Company.

On June 30, 2011, the PCGG filed with the Supreme Court relating to an Urgent Motion to Direct the Parent Company to comply with the Sandiganbayan Resolution (the “Urgent Motion”). On March 30, 2012, the Parent Company filed a Comment on the Urgent Motion in compliance with the Supreme Court’s Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by the Parent Company on February 22, 2012, directing the Parent Company to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of the Parent Company.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a “Manifestation and Omnibus Motion 1) To Amend the Resolution Promulgated on September 4, 2012 to Include the “Treasury Shares” Which are Part and Parcel of the 33,133,266 Coconut Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38” (“Manifestation and Omnibus Motion”).

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required the Parent Company to comment on COCOFED, et al.’s “Manifestation” dated October 4, 2012 and PCGG’s “Manifestation and Omnibus Motion.” Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a “Manifestation Re: ‘Resolution’ dated November 20, 2012,” dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) the Parent Company is likewise not a party in those cases, and if the Parent Company is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished the Parent Company; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that “no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court’s directive”.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required the Parent Company to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten (10) days from notice thereof.

In the Resolution, dated September 10, 2013, the Supreme Court directed the Parent Company, through its counsel or representative, to immediately secure from the Office of the Clerk of Court of the Supreme Court *En Banc* photocopies of the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor, and granted the Parent Company's motion for a period of thirty (30) days from receipt of the pleadings within which to file the required comment per resolutions dated November 20, 2012 and June 4, 2013.

The Parent Company, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) "Comment of San Miguel Corporation on the 'Manifestation' of Petitioners COCOFED, et al., Dated October 4, 2012" on November 6, 2013; and (b) "Comment of San Miguel Corporation on the 'Manifestation and Omnibus Motion...' Dated October 12, 2012 of the Respondent Republic" on December 3, 2013.

In the Entry of Judgment received on January 27, 2015, the Supreme Court entered in the Book of Entries of Judgments the Resolution of September 4, 2012 in G.R. Nos. 177857-58 and G.R. No. 178193 wherein the Supreme Court clarified that the 753,848,312 SMC Series "1" Preferred Shares of the CIIF companies converted from the CIIF block of SMC shares, with all the dividend earnings as well as all increments arising therefrom shall now be the subject matter of the January 29, 2012 Decision and declared owned by the Government and used only for the benefit of all coconut farmers and for the development of the coconut industry. Thus, the fallo of the Decision dated January 24, 2012 was accordingly modified.

In the meantime, the Parent Company has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

2. In 2009, 873,173,353 common shares were acquired through the exchange of common shares to preferred shares, on a one-for-one basis, at P75.00 per share amounting to P65,488.
3. On May 5, 2011, the Parent Company completed the secondary offering of its common shares. The offer consists of 110,320,000 shares of stock of the Parent Company consisting of 27,580,000 common shares from the treasury shares of the Parent Company and 82,740,000 SMC common shares held by Top Frontier. The Offer Shares were priced at P110.00 per share on April 20, 2011.
4. Also on May 5, 2011, US\$600 worth of exchangeable bonds of the Parent Company sold to overseas investors were simultaneously listed at the SGX-ST. The exchangeable bonds have a maturity of three years, a coupon of 2% per annum and a conversion premium of 25% of the offer price. The exchangeable bonds are exchangeable for common shares from the treasury shares of the Parent Company. The initial exchange price for the exchange of the exchangeable bonds into common shares is P137.50 per share.

On December 5, 2011, 765,451 common shares were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at an exchange price of P113.24 per share. Subsequently on December 8, 2011 and February 10 and 16, 2012, the delivered common shares of stock of the Parent Company were transacted and crossed at the PSE via a special block sale in relation to the issuance of common shares pursuant to the US\$600 exchangeable bonds of the Parent Company.

On April 29, 2014 and on various dates in 2013 and 2012, additional 1,077,573, 6,540,959 and 1,410,604 common shares, respectively, were delivered to the bondholders of the Parent Company's exchangeable bonds who exercised their exchange rights under the terms and conditions of the bonds at exchange prices ranging from P80.44 to P113.24 per share. The additional common shares of stock of the Parent Company were transacted and crossed at the PSE on various dates via special block sales.

A total of 9,794,587 and 8,717,014 common shares were issued to the bondholders of the Parent Company's exchangeable bonds as of December 31, 2014 and 2013, respectively.

5. As of December 31, 2015 and 2014 a total of 3,478,400 common shares under the ESPP, were cancelled and held in treasury (Note 40).

d. Unappropriated Retained Earnings

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2015 and 2014 and P67,166 in 2013, respectively, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

e. Appropriated Retained Earnings

The BOD of certain subsidiaries approved additional appropriations amounting to P20,764, P23,858 and P1,015 in 2015, 2014 and 2013, respectively, to finance future capital expenditure projects. Reversal of appropriations amounted to P23,925 and P4 in 2015 and 2013, respectively.

26. Sales

Sales consist of:

	2015	2014	2013
Goods	P656,874	P770,284	P745,413
Services	16,773	3,414	1,858
Others	278	25	32
	P673,925	P773,723	P747,303

27. Cost of Sales

Cost of sales consist of:

	<i>Note</i>	2015	2014	2013
Inventories		P360,589	P515,138	P498,098
Taxes and licenses		44,794	40,088	36,551
Freight, trucking and handling		23,968	11,653	10,300
Energy fees	35	23,224	30,776	31,269
Depreciation, amortization and impairment	29	18,054	15,541	14,096
Communications, light and water		12,603	8,933	5,978
Contracted services		10,825	2,479	2,210
Fuel and oil		8,827	11,834	10,448
Power purchase		8,331	6,046	3,929
Personnel	30	7,295	6,484	5,528
Tolling Fees		7,029	6,748	6,462
Repairs and maintenance		3,496	2,934	3,391
Rent	4, 35	998	690	661
Others		2,890	1,569	1,971
		P532,923	P660,913	P630,892

28. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	2015	2014	2013
Selling	P29,870	P28,840	P29,892
Administrative	32,449	28,195	30,798
	P62,319	P57,035	P60,690

Selling expenses consist of:

	<i>Note</i>	2015	2014	2013
Personnel	30	P7,716	P7,330	P6,884
Freight, trucking and handling		7,323	7,194	7,020
Advertising and promotions		5,370	5,035	6,952
Depreciation, amortization and impairment	29	3,305	3,076	2,679
Rent	4, 35	2,498	2,824	2,398
Repairs and maintenance		1,129	1,071	1,266
Supplies		639	453	209
Taxes and licenses		564	621	634
Professional fees		529	562	499
Communications, light and water		384	451	470
Others		413	223	881
		P29,870	P28,840	P29,892

Administrative expenses consist of:

	<i>Note</i>	2015	2014	2013
Personnel	30, 40	P14,469	P13,773	P12,392
Depreciation, amortization and impairment	29	4,528	4,464	4,613
Professional fees		3,275	2,623	2,206
Taxes and licenses		2,916	2,060	1,712
Advertising and promotion		1,685	1,175	1,027
Impairment loss		1,061	1,093	4,849
Repairs and maintenance		988	782	776
Communications, light and water		734	840	916
Supplies		522	645	873
Rent	4, 35	408	159	288
Freight, trucking and handling		264	265	306
Research and development		161	134	113
Others		1,438	182	727
		P32,449	P28,195	P30,798

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

29. Depreciation, Amortization and Impairment

Depreciation, amortization and impairment are distributed as follows:

	<i>Note</i>	2015	2014	2013
Cost of sales:				
Property, plant and equipment	7, 15	P13,265	P13,210	P12,181
Deferred containers, biological assets and others	17, 19	4,789	2,331	1,915
	27	18,054	15,541	14,096
Selling and administrative expenses:				
Property, plant and equipment	7, 15	4,830	4,697	4,624
Deferred containers and others	19	3,003	2,843	2,668
	28	7,833	7,540	7,292
		P25,887	P23,081	P21,388

“Others” include amortization of concession rights, computer software, leasehold and land use rights, licenses and investment property.

30. Personnel Expenses

Personnel expenses consist of:

	<i>Note</i>	2015	2014	2013
Salaries and wages		P14,488	P13,291	P11,935
Retirement costs - net	36	1,564	1,191	1,362
Other employee benefits	40	13,428	13,105	11,507
		P29,480	P27,587	P24,804

Personnel expenses are distributed as follows:

	<i>Note</i>	2015	2014	2013
Cost of sales	27	P7,295	P6,484	P5,528
Selling expenses	28	7,716	7,330	6,884
Administrative expenses	28	14,469	13,773	12,392
		P29,480	P27,587	P24,804

31. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	<i>Note</i>	2015	2014	2013
Interest expense		P29,685	P26,566	P27,191
Other financing charges	12, 22	2,836	3,144	3,779
		P32,521	P29,710	P30,970

Amortization of debt issue costs included in "Other financing charges" amounted to P1,157, P764 and P1,322 in 2015, 2014 and 2013, respectively (Note 22).

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

	<i>Note</i>	2015	2014	2013
Loans payable	20	P8,913	P5,028	P6,114
Long-term debt	22	10,559	10,820	10,093
Finance lease liabilities	35	10,213	10,718	10,984
		P29,685	P26,566	P27,191

32. Interest Income

Interest income consists of:

	<i>Note</i>	2015	2014	2013
Interest from short-term investments, cash in banks and others	9, 14	P3,754	P3,530	P2,446
Interest on amounts owed by related parties	34, 36	561	482	1,093
		P4,315	P4,012	P3,539

33. Other Income (Charges)

Other income (charges) consists of:

	<i>Note</i>	2015	2014	2013
Construction revenue	12, 18, 35	P11,003	P8,735	P970
Gain on derivatives - net	42	3,971	7,513	2,448
Gain on remeasurement on step acquisition	5	3,540	-	-
PSALM monthly fees reduction		1,859	815	872
Gain on return of donated property (a)		495	-	-
Remeasurement of property dividends and AFS financial assets	13	-	-	4,863
Loss on redemption of exchangeable bonds (b)		-	-	(1,500)
Additional provision on impairment (c, d, e)	15, 18, 19	(2,933)	(242)	(1,501)
Construction costs	12, 18, 35	(11,003)	(8,735)	(970)
Loss on foreign exchange - net	41	(12,081)	(2,412)	(19,436)
Others (f)	22	1,076	633	(167)
		(P4,073)	P6,307	(P14,421)

a. *Donation to Philippine Foundation of the Blessed Mary Mother of Poor (Foundation)*

On January 11, 2011, SMPI signed a deed of donation (the “Deed of Donation”) in favor of the Foundation, a non-profit religious organization, to transfer a 33-hectare parcel of land owned by SMPI (the Montemaria Property), with a carrying amount of P141. The land title of the Montemaria Property was transferred in the name of the Foundation on April 28, 2011.

In accordance with the Deed of Donation, the Montemaria Property shall be used and devoted exclusively by the Foundation for the construction, operation and maintenance of its project, the Montemaria Oratory of the Blessed Virgin Mary (the Montemaria Project). The Montemaria Project was planned to consist of the Shrine of the Blessed Virgin Mary, churches and chapels, Way of the Cross and such other structures and facilities for Roman Catholic religious purposes, and socio-civic and nonprofit activities and program of the Foundation. Further, the Deed of Donation requires that the Montemaria Project must be at least 50% completed by 2015 and fully completed by 2020. If the Foundation will not be able to comply with this requirement, the Montemaria Property will revert to SMPI.

On February 24, 2014, the Board of Trustees of the Foundation resolved to return the Montemaria Property to SMPI.

On October 2, 2015, SMPI and the Foundation signed a Deed of Rescission and Reconveyance of Property wherein the ownership over the Montemaria Property reverted back to SMPI. The title to the Donated Property was transferred back to SMPI on November 9, 2015. Accordingly, the Group recognized a gain amounting to P495, equivalent to the fair value of the Montemaria Property at the time of rescission of donation and reconveyance of property. The Montemaria Property is included as part of the additions to the “Investment property” account in the 2015 consolidated statement of financial position (Note 16).

- b. On various dates in 2013, the Parent Company has repurchased the exchangeable bonds having an aggregate principal amount of US\$363. The aggregate cash amount paid by the Parent Company based on the aggregate principal amount of the bond repurchased, as well as accrued interest, is US\$398. The Group recognized a loss on redemption of exchangeable bonds amounting to P1,500.
- c. *SMBB*. In 2015, the Group noted that fierce market competition resulted in the decline in the demand for its products in SMB’s North China compared to previous sales forecasts. Consequently, operating losses were incurred. These factors are indications that non-current assets of SMB’s North China operations, comprising mainly of the production plant located in Baoding, Hebei Province and other tangible assets, may be impaired.

The Group assessed the recoverable amounts of *SMBB*, the cash-generating unit to which these assets belong, and as the result of such assessment was that the carrying amount of the assets was higher than its recoverable amount of US\$41.1 or P1,923, an impairment loss of US\$21.6 or P1,011, was recognized as part of “Other Income (Charges)” account in the 2015 consolidated statement of income.

The recoverable amount of the *SMBB* has been determined based on its value in use calculation. That calculation uses cash flow projections based on the business forecasts approved by the management covering a period of 18 years, which is the remaining estimated useful life of the assets. Cash flows beyond the ten-year period are kept constant. Sales volume growth rate and pre-tax discount rate used for value in use calculations were 4.20% and 8.86%, respectively.

Management determined the growth rate and gross contribution rate based on past experiences, future expected market trends and an intermediate holding company’s import plan of beer brewed by the Group.

As *SMBB* has been reduced to its recoverable amount, any adverse change in the assumptions used in the calculation of the recoverable amount would result in further impairment losses.

- d. *SMGFB*. *SMGFB*’s plant ceased operations due to significant decline in market demand for its products. As a result, the Group estimated the recoverable amount of the assets and noted that such is below the carrying amount. Accordingly, an impairment loss amounting to P1,501 was recognized in the consolidated statements of income in 2013.
- e. In line with the Group’s ongoing development of new products to cater to the evolving needs of its market, certain telecommunication equipment can no longer generate the expected cash inflow. The Group recognized a provision for impairment losses on the equipment amounting to P1,333.

- f. “Others” consist of gain on redemption of Notes, rent income, commission income, dividend income from AFS financial assets, changes in fair value of financial assets at FVPL, gain on settlement of ARO and insurance claims.

34. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders and associates and joint ventures in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Note	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Ultimate Parent Company	37	2015	P1	P1	P5,816	P551	On demand or less than 4 to 6 years;	Unsecured; no impairment
		2014	26	-	5,677	551	interest and non-interest bearing	
Retirement Plans	10, 19, 36	2015	485	-	13,194	-	On demand; interest bearing	Unsecured; no impairment
		2014	216	-	12,686	-		
Associates	10, 19, 21, 23	2015	1,940	119	452	28	On demand; interest and non-interest bearing	Unsecured; no impairment
		2014	2,066	98	7,473	159		
	20, 22	2015	-	-	-	20,529	Less than 1 to 10 years; interest bearing	Unsecured and secured
		2014	-	-	-	16,640		
JVC	10, 19, 21	2015	3	416	665	162	On demand; non-interest bearing	Unsecured; no impairment
		2014	-	83	674	1		
Shareholders in subsidiaries	10, 21, 23	2015	222	77	108	2,763	On demand; non-interest bearing	Unsecured; no impairment
		2014	107	15	20	347		
Others	10, 21, 23	2015	142	-	80	6,232	On demand; non-interest bearing	Unsecured; no impairment
		2014	92	-	6,931	46		
Total		2015	P2,793	P613	P20,315	P30,265		
Total		2014	P2,507	P196	P33,461	P17,744		

- a. Amounts owed by related parties consist of current and noncurrent receivables and deposits, and share in expenses.
- b. Amounts owed to related parties consist of trade payables and professional fees. The amount owed to the Ultimate Parent Company pertains to dividend payable (Note 37).
- c. The amounts owed to associates include interest bearing loans to BOC presented as part of “Loans payable” and “Long-term debt” accounts in the consolidated statements of financial position.

- d. The compensation of key management personnel of the Group, by benefit type, follows:

	<i>Note</i>	2015	2014	2013
Short-term employee benefits		P552	P544	P489
Retirement benefits	36	1	(1)	(15)
Share-based payments	40	-	-	10
		P553	P543	P484

35. Significant Agreements and Lease Commitments

Significant Agreements:

▪ Energy

a. *Independent Power Producer (IPP) Administration (IPPA) Agreements*

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following subsidiaries:

Subsidiary	Power Plant	Location
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Multi-purpose Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas Province

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for so long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

- i. the right and obligation to manage and control the contracted capacity of the power plant for its own account and at its own cost and risks;
- ii. the right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;

- iii. the right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the corporation period or in case of buy-out;
- iv. for SMEC and SPPC, the right to receive an assignment of NPC's interest to existing short-term bilateral power supply contracts;
- v. the obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;
- vi. maintain the performance bond in full force and effect with a qualified bank; and
- vii. the obligation to pay PSALM the monthly payments and energy fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for 15 years until October 1, 2024, 18 years until April 26, 2028 and 12 years until June 26, 2022, respectively. Energy fees for 2015, 2014 and 2013 amounted to P23,224, P30,776 and P31,269, respectively (Note 27). SMEC, SPDC and SPPC renewed their performance bonds in US dollar amounting to US\$58, US\$20 and US\$60, which will expire on November 3, 2016, January 25, 2016 and June 16, 2016, respectively. Subsequently, the performance bond of SPDC was renewed up to January 25, 2017.

b. *Market Participation Agreements (MPA)*

SMEC, SPDC and SPPC have entered into a MPA with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member. Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by Energy Regulatory Commission (ERC). In 2015 and 2014, PEMC's market fees charged to SMEC, SPDC and SPPC amounted to P220 and P234, respectively.

SMELC entered into an MPA for Supplier as Direct WESM Member - Customer Trading Participant Category with the PEMC to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member. SMELC has a standby letter of credit, expiring on December 26, 2016, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

c. *Power Supply Agreements*

SMEC, SPPC, SPDC, SMELC and SPI have Power Supply Agreements with various counterparties, including related parties, to sell electricity produced by the power plants. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions of the parties.

Certain customers, like electric cooperatives, are billed based on the time-of-use (TOU) per kilowatt hour (kWh) while others are billed at capacity-based rate. As stipulated in the contracts, each TOU-based customer has to pay the minimum charge based on the contracted power using the basic energy charge and/or adjustments if customer has not fully taken or failed to consume the contracted power. For capacity-based contracts, the customers are charged with the capacity fees based on the contracted capacity even if there is no associated energy taken during the month.

SMEC, SPPC and SPDC purchases power from WESM and other power generation companies during periods when the power generated from the power plants is not sufficient to meet customers' power requirements.

d. *Coal Supply Agreements*

SMEC and SPI, through its operations and maintenance service provider, have supply agreements with various coal suppliers for their power plants' coal requirements.

e. *Retail Supply Agreements*

SMELC has retail supply agreements with customers to supply or sell electricity purchased from WESM and a related party. All agreements provide for renewals or extensions subject to terms and conditions mutually agreed by the parties.

The customers are billed based on the capacity charge and associated energy charge. As stipulated in the contracts, each customer has to pay the capacity charge based on the contracted capacity using the capacity fee and associated energy with adjustments if customer has not fully taken or failed to consume the contracted capacity.

f. *Retail Electricity Supplier's (RES) License*

On August 22, 2011, SMELC was granted a RES License by the ERC pursuant to Section 29 of RA No. 9136 of the EPIRA which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

g. *Concession Agreement*

SMC Global entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

On January 24, 2014, SMC Global through its subsidiary, APEC, entered into an Assignment Agreement whereby APEC assumed all the rights, interests and obligations of the SMC Global under the Concession Agreement effective January 2, 2014.

The Concession Agreement include, among others, the following rights and obligations: i) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement; (b) the amount of P2 every quarter beginning January 1, 2014 for the upkeep of residual ALECO (fixed concession fee); ii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,049; iii) on the 20th anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and iv) at the end of the concession period, all assets and system, as defined in the Concession Agreement, shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO. In this regard, APEC shall provide services within the franchise area and shall be allowed to collect fees and charges, as approved by the ERC. ALECO turned over the operations to APEC on February 26, 2014.

h. *MOA with San Roque Power Corporation (SRPC)*

On December 6, 2012, SPDC entered into a five-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant.

Under the MOA: i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties.

i. *Coal Operating Contracts (COC)*

DAMI's coal property covered by COC No. 126, issued by the Department of Energy (DOE), is located in South Cotabato consisting of two coal blocks with a total area of 2,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 94 million metric tons as of December 31, 2015.

SEPC's coal mining property and right over an aggregate area of 7,000 hectares, more or less, composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As of December 31, 2015, COC No. 134 has an In-situ coal resources (measured plus indicative coal resources) of about 35 million metric tons.

BERI's COC No. 138, issued by the DOE, is located in Sarangani Province and South Cotabato consisting of eight coal blocks with a total area of 8,000 hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about 23 million metric tons as of December 31, 2015.

Status of Operations

The DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI, respectively, effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	10 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

**The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

On January 26, 2015, DOE granted the request by DAMI, SEPC and BERI for further extension of the moratorium of their work commitments under their respective COCs. The request is in connection with a resolution passed by South Cotabato in 2010 prohibiting open-pit mining activities in the area. The moratorium is retrospectively effective from January 1, 2013 and is valid until December 31, 2016 or until the ban on open-pit mining pursuant to the Environment Code of South Cotabato has been lifted, whichever comes first.

▪ **Fuel and Oil**

a. Supply Agreement

Petron has assigned all its rights and obligations to PSTPL (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian American Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices. The contract is for a period of one year from November 1, 2013 to December 1, 2014 with automatic annual extension thereafter unless terminated at the option of either party, within 60 days written notice. Outstanding liabilities of Petron for such purchases are included as part of "Accounts payable and accrued expenses" account in the consolidated statements of financial position as of December 31, 2015 and 2014 (Note 21).

PMRMB currently has a long-term supply contract of Tapis crude oil and Terengganu condensate for its Port Dickson Refinery from ExxonMobil Exploration and Production Malaysia Inc. (EMEPMI) and Low Sulphur Waxy Residue Sale/Purchase Agreement with EXTAP, a division of ExxonMobil Asia Pacific Pte. Ltd. On the average, around 65% of crude and condensate volume processed are from EMEPMI with balance of around 35% from spot purchases.

b. Supply Contract with NPC and PSALM

Petron entered into various fuel supply contracts with NPC and PSALM. Under these contracts, Petron supplies the bunker fuel, diesel fuel oil and engine lubricating oil requirements of selected NPC and PSALM plants, and NPC-supplied IPP plants.

▪ **Infrastructure**

a. Airport Concession Agreement

The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its revised implementing rules and regulations.

On June 22, 2009, TADHC entered into a Concession Agreement with the ROP, through the Department of Transportation and Communication (DOTC) and Civil Aviation Authority of the Philippines. Based on the Concession Agreement, TADHC has been granted with the concession of the Airport Project which includes the extension or expansion of the Boracay Airport. Subject to existing law, the Concession Agreement also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of 25 years, and to collect the fees, rentals and other charges as may be agreed from time to time based on the Parametric Formula as defined in the Concession Agreement.

The salient features of the Concession Agreement are presented below:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.
2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. As of December 31, 2015, TADHC has yet to pay the OMPS, since it is payable only after the completion of the construction of the Airport Project.
3. Immediately upon receiving the Notice to Commence Implementation (NCI) and provided all conditions precedent in the Concession Agreement are fulfilled or waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.
4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to third party loans. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leverage to the loan obtained from a related party (Notes 22 and 34).

5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC to develop the Airport Project. This performance security shall be partially released by the ROP from time to time to the extent of the percentage-of-completion of the Airport Project. TADHC has paid P1 premium both in 2015 and 2014, for the Work Performance Security. The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statements of financial position (Note 12).
6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The 1st payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

After fulfillment of all contractual and legal requirements, the Concession Agreement became effective on December 7, 2009. The NCI issued to TADHC by the DOTC was accepted by TADHC on December 18, 2009.

The Concession Agreement may be renewed or extended for another 25 years upon written agreement of the parties through the execution of a renewal or extension contract.

In accordance with the license granted by the ROP, as expressly indicated in the Concession Agreement, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Construction work for the extension of runway is currently ongoing and various pre-construction work is being done for the new terminal, such as project design, clearing and acquisition of the right of way.

b. MRT 7 Concession Agreement

In 2008, the ROP awarded ULC the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is proposed to be an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme which is a modified Build-Transfer-Operate arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its revised implementing rules and regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC entered into a Concession Agreement with the ROP, through the DOTC, for a 25-year concession period, subject to extensions as may be provided for under the Concession Agreement and by law. Based on the Concession Agreement, ULC has been granted the right to finance, construct and operate and maintain the proposed MRT 7 Project, which consists of 44-km of rail transportation (from North Avenue station in EDSA, Quezon City passing through Commonwealth Avenue, Regalado Avenue, Quirino Highway up to Intermodal Transportation Terminal in San Jose del Monte, Bulacan) and road (from San Jose del Monte, Bulacan to Bocaue Interchange of the North Luzon Expressway).

The salient features of the Concession Agreement are presented below:

1. The MRT 7 Project cost shall be financed by ULC through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the Concession Agreement, ULC's estimated capital commitment to develop the MRT 7 Project amounts to US\$1,235.60, adjusted to 2008 prices at US\$1,540 per National Economic and Development Authority Board approval of June 2013. ULC shall endeavor to have signed the financing agreements not later than 18 months from the signing of the Concession Agreement.
2. ULC shall post a Performance Security for Construction and Operation and Maintenance (O&M) in favor of the ROP as guarantee for faithful performance by ULC to develop the MRT 7 Project. This performance security for O&M shall be reduced every year of the concession period to the amounts as specified in the Concession Agreement.
3. In the event that the MRT 7 Project is not completed by the end of the grace period, which is 100 calendar days following the project completion target as defined in the Concession Agreement, ULC shall pay the ROP liquidated damages of US\$0.1 for every calendar day of delay.
4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the Concession Agreement. The ROP's amortization payment to ULC shall start when the MRT 7 Project is substantially completed.
5. Net passenger revenue shall be shared by the ROP and ULC on a 30:70 basis.
6. All rail-based revenues above 11.90% internal rate of return of ULC for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.
7. The ROP grants ULC the exclusive and irrevocable commercial development rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the Concession Agreement until the end of the concession period, which can be extended for another 25 years, subject to the ROP's approval. In consideration of the development rights granted, ULC or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the development rights.

On July 23, 2014, the ROP through the ROP/DOTC confirmed their obligations under the MRT 7 Agreement dated June 18, 2008. On August 19, 2014, ULC received the Performance Undertaking issued by the Department of Finance. The Performance Undertaking is a recognition of the obligations of the ROP thru the DOTC under the Concession Agreement, particularly the remittance of semi-annual amortization payment in favor of ULC. The financial close on the Performance Undertaking was achieved in February 2016, which rendered the contract in the construction of the MRT 7 Project effective.

c. Toll Road Concession Agreements

(i) *SLEX*

On February 1, 2006, SLTC executed the Supplemental Toll Operation Agreement (STOA) with MATES, Philippine National Construction Corporation (PNCC) and the ROP through the TRB. The STOA authorizes SLTC by virtue of a joint venture to carry out the rehabilitation, construction and expansion of the SLEX, comprising of: Toll Road (TR)1 (Alabang viaduct), TR2 (Filinvest to Calamba, Laguna), TR3 (Calamba, Laguna to Sto. Tomas, Batangas) and TR4 (Sto. Tomas, Batangas to Lucena City). The concession granted shall expire 30 years from February 1, 2006.

On December 14, 2010, the TRB issued the Toll Operations Certificate for Phase 1 of the SLEX i.e., TR1, TR2 and TR3, and approved the implementation of SLTC's initial toll rate, for the said Phase 1. The initial toll rate had been implemented on a staggered basis from January to March 2011, with full implementation starting April 1, 2011.

SLTC entered into a MOA on the Interoperability of the Muntinlupa-Cavite Expressway (MCX) (formerly known as the Daang Hari-SLEX Connector Road) and the SLEX (MOA on Interoperability) and an accompanying Addendum to the MOA on Interoperability, both on July 21, 2015, with Ayala Corporation (Ayala). Ayala is the concession holder of MCX while Muntinlupa Cavite Expressway, Inc. is the facility operator of MCX.

The MOA on Interoperability and the addendum provide the framework that will govern the interface and integration of the technical operations and toll operation systems between the MCX and the SLEX, to ensure seamless travel access into MCX and SLEX for road users.

(ii) *NAIA Expressway Project*

On July 8, 2013, Vertex entered into a Concession Agreement with the ROP, through DPWH, for a 30-year concession period subject to extensions, as may be provided for under the Concession Agreement. Vertex has been granted the right to finance, construct, and operate and maintain the NAIA Expressway Project, which consists of a 4-lane, 7.75 km elevated expressway and 2.22 km At-Grade feeder road that will provide access to NAIA Terminals 1, 2 and 3, and link the Skyway and the Manila-Cavite Toll Expressway.

The salient features of the Concession Agreement are presented below:

1. Vertex shall at all times during the concession period maintain a leverage ratio not exceeding 80%.
2. Vertex shall post a Performance Security for Construction and O&M in favor of the ROP as guarantee for faithful performance to develop the NAIA Expressway Project. The Performance Security for Construction shall be reduced on the date of expiry of the At-Grade Works and Phase II(a) Defects Liability Period to the amounts as specified in the Concession Agreement.

Throughout the construction period, the DPWH and the TRB shall be allowed to monitor, inspect and check progress and quality of the activities and works undertaken by Vertex to ensure compliance with the Concession Agreement's Minimum Performance Standards and Specifications, Detailed Engineering Design (DED) or At-Grade Works DED. Vertex shall directly pay for the cost of the Project Overhead Expenses incurred by the DPWH or the TRB until the end of the construction period. The liability of Vertex for the project overhead expenses due to the TRB and DPWH shall not exceed P25 and P50, respectively.

3. If by the Completion Deadline, the Independent Consultant has not issued written notice that all conditions in the Concession Agreement in relation to the At-Grade Works, Phase II(a) and Phase II(b) have been fulfilled, Vertex shall be liable to the DPWH for the payment of liquidated damages in the amount of P0.2, P1.5 and P2 for every day of delay beyond the At-Grade Works, Phase II(a) and Phase II(b) Construction Completion Deadline, respectively.
4. The toll revenues collected from the operations of the NAIA Expressway Project are the property of Vertex. Vertex has the right to assign or to enter into such agreements with regard to the toll revenues and their collection, custody, security and safekeeping.
5. The equity structure of Vertex shall comply with the equity requirements set out in the Concession Agreement. During the lock-up period, which is from the signing date until the end of the third year of the Operation Period, Vertex shall not register or otherwise permit any transfer of its equity or any rights in relation to its equity except: (a) if after the transfer, (i) the Qualifying Initial Stockholders continue to meet its Equity Requirement; (ii) the Initial Shareholders collectively continue to meet its Equity Requirements, and in each case any new shareholder is approved by the DPWH such consent not to be unreasonably withheld; (b) with the DPWH's prior written consent; (c) by way of the grant of a Permitted Security Interest or the exercise of rights under a Permitted Security Interest; or such transfer is necessary to comply with any applicable foreign ownership restrictions and the transferee and the terms of the transfer are both approved by the DPWH.
6. At the end of the concession period, Vertex shall turnover to the DPWH the NAIA Expressway in the condition required for turnover as described in the Minimum Performance Standards Specifications.

(iii) Skyway

o Skyway Stages 1 and 2

On June 10, 1994, PNCC, the franchise holder for the construction, O&M of the proposed Metro Manila Expressway, including any and all extensions, linkages or stretches thereof, such as the proposed Skyway, and PT Citra Lamtoro Gung Persada (PT Citra), as joint proponents, submitted to the ROP through the TRB, the Joint Investment Proposal covering not only the proposed Skyway but also the planned Metro Manila Tollways. The said proposal embodied, among others, that PT Citra in cooperation with PNCC committed itself to finance, design and construct the skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995 and the STOA was executed on the same date by and among CMMTC, PNCC and the ROP acting through the TRB.

Under the STOA, the design and the construction of the SMMS and the financing thereof, shall be the primary and exclusive privilege, responsibility and obligation of CMMTC as investor. On the other hand, the O&M of the SMMS shall be the primary and exclusive privilege, responsibility and obligation of PNCC, through its wholly owned subsidiary, the PNCC Skyway Corporation (PSC).

On July 18, 2007, the STOA was amended, to cover among others, the implementation of Stage 2 of the SMMS (Stage 2); the functional and financial integration of Stage 1 of the SMMS (Stage 1) and Stage 2 upon the completion of the construction of Stage 2; and the grant of right to CMMTC to nominate to the TRB a qualified party to perform the O&M of the Project Roads to replace PSC. CMMTC, PNCC and PSC then entered into a MOA for the successful and seamless turnover of the O&M responsibilities for the SMMS from PSC to SOMCO.

The Project Roads shall be owned by the Philippine Government, without prejudice to the rights and entitlement of the Investor and the Operator under the STOA. The legal transfer of ownership of the Project Roads to the Philippine Government shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction. The toll revenues are shared or distributed among CMMTC, SOMCO for the O&M of the Project Roads, and PNCC.

The 30-year franchise period for the Integrated Stage 1 and Stage 2 commenced on April 25, 2011.

Under the STOA, CMMTC may file an application to adjust the toll rates which shall be of two kinds, namely periodic and provisional adjustments. Periodic adjustments for the Integrated Stage 1 and Stage 2 may be applied for every year. CMMTC may file an application for provisional adjustment upon the occurrence of a force majeure event or significant currency devaluation. A currency devaluation shall be deemed “significant” if it results in a depreciation of the value of the Philippine peso relative to the US dollar by at least 10%. The applicable exchange rate shall be the exchange rate between the currencies in effect as of the date of approval of the prevailing preceding toll rate.

- Skyway Stage 3 Project

On June 10, 1994, PNCC, the franchise holder for the construction, operation, and maintenance of the proposed Skyway and Metro Manila Tollways, including any and all extensions, linkages, or stretches thereof, and PT Citra, as joint proponents, submitted to the ROP, through the TRB, the Joint Investment Proposal covering the proposed Skyway and Metro Manila Tollways. The Joint Investment Proposal embodied, among others, the commitment of PT Citra, in cooperation with PNCC, through their Business and Joint Venture Agreement (BJVA) dated August 30, 1995, to finance, design, and construct the Skyway in three stages, consisting of: (a) South Metro Manila Skyway (SMMS) as Stages 1 and 2; (b) North Metro Manila Skyway and the Central Metro Manila Skyway as Stage 3; and (c) Metro Manila Tollways as Stage 4. The Joint Investment Proposal was approved by the TRB on November 27, 1995, and was updated through the Updated Joint Investment Proposal for the construction of the Project Road dated May 3, 2011, which was also approved by the TRB. On September 6, 2012, PNCC and PT Citra executed a Restated Second Supplement to the Business and Joint Venture Agreement for the implementation of the Project Road through CCEC, their new joint venture company.

The Stage 3 STOA was executed on July 8, 2013 by and among the ROP as the Grantor, acting by and through the TRB, PNCC, CCEC as the Investor, and Central Metro Manila Skyway Corporation (CMMSC) as the Operator, wherein CCEC was granted the primary and exclusive privilege, responsibility, and obligation to design and construct the Project Road, and to finance the same, while CMMSC was granted the primary and exclusive privilege, responsibility, and obligation to operate and maintain the Project Road.

The Project Road shall be owned by the Philippine Government, without prejudice to the rights and the entitlements of the Investor and of the Operator under the Stage 3 STOA. The legal transfer of ownership of the Project Road to the Philippine Government shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction thereof.

The franchise period for the Project Road is 30 consecutive years commencing from the issuance of the Toll Operation Certificate (TOC) for the entire Project Road to the Investor and/or the Operator. As at December 31, 2015, CCEC is in the construction stage of the Project Road.

Under the Stage 3 STOA, CCEC may apply for two kinds of adjustments on the toll rate for the Project Road, namely: (a) periodic and (b) provisional. A periodic adjustment may be applied for every two years, while a provisional adjustment may be applied upon the occurrence of an event of Force Majeure.

CCEC and CMMSC shall enter into a revenue sharing agreement to set forth the terms and conditions of their sharing of the toll revenues from the Project Road.

(iv) TPLEX

PIDC entered into a Concession Agreement with the ROP through the DPWH and the TRB to finance, design, construct, operate and maintain and impose and collect tolls from the users of the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 88.85 km. The four-lane expressway will have nine toll plazas from start to end.

The initial toll rate was submitted by PIDC as part of its bid and was duly confirmed by the DPWH and incorporated as part of the Concession Agreement. Toll rate shall be collected using the close-system which may be changed into an open-system whenever there is a new interchange required to be built as per Concession Agreement.

The toll revenue collected from the operation of the TPLEX Project is the property of PIDC. PIDC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

The concession period shall be for a term of 35 years starting from the effectivity of the Concession Agreement and any approved extension thereof.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of PIDC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each section of the TPLEX Project.

On October 31, 2013, PIDC opened the first section of the TPLEX Project from Tarlac to Gerona. The Section 1B from Gerona to Rosales was opened to motorists on December 23, 2013. The 49-km stretch from Gerona to Carmen was fully operational on April 16, 2014. The 14-km stretch from Carmen to Urdaneta was fully operational starting March 17, 2015. On the other hand, the last section from Urdaneta to Rosario is targeted for completion by 2017.

On January 18, 2014, PIDC obtained approval from the TRB to collect toll fares (inclusive of VAT) for the use of the three segments of section one.

(v) STAR

On June 18, 1998, SIDC and the ROP, individually and collectively, acting by and through the DPWH and the TRB, entered into a Concession Agreement covering the STAR Project.

Under the Concession Agreement, the following are the components and related activities of the STAR Project:

1. The preliminary and final engineering design, financing and construction of Stage II of the STAR Project.
2. The design and construction of all ancillary toll road facilities, toll plazas, interchanges and related access facilities of Stage I of the STAR Project, a ROP-constructed toll road, and for Stage II of the STAR Project road to be constructed by SIDC.
3. The operation and maintenance of the STAR Project as toll road facilities within the concession period of 30 years from January 1, 2000 up to December 31, 2029.

However, based on the Concession Agreement amendatory agreement dated December 2006, the concession period is extended for an additional six years, to compensate for the delay in the commencement of the construction of the Stage II, Phase II of the STAR Project toll road. Accordingly, the concession period is until December 31, 2035.

4. The financing of the STAR Project is through equity and debt instruments until its full satisfaction and for the operation and maintenance of the toll road and its facilities within the concession period.

Also pursuant to the Concession Agreement, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP's issuance of the Certificate of Substantial Completion. Provided, that the right of way shall be titled in the ROP's name regardless of the construction thereon.

The STAR Project consists of two stages as follows:

Stage I	O&M of the 22.16-km toll road from Sto. Tomas, Batangas to Lipa City, Batangas
Stage II	Finance, design, construction, O&M of the 19.74-km toll road from Lipa City, Batangas to Batangas City, Batangas

SIDC started its commercial operations on August 1, 2001 after the issuance by the TRB to SIDC of the TOC for the O&M of the Stage I toll road facility of the STAR Project on July 31, 2001.

The TRB issued to SIDC the TOC for the O&M of the Stage II, Phase I toll road facility of the STAR Project on April 16, 2008. SIDC started the construction of the remaining portion of Stage II in 2013 and was completed in October 17, 2014.

d. Port Concession Agreements

On November 19, 2009, MNHPI entered into a Contract for the Development, Operation and Maintenance of the Manila North Harbor (the “Contract”) with the Philippine Ports Authority (PPA), a Government agency. Under the Contract, the PPA grants MNHPI the sole and exclusive right to manage, operate, develop and maintain the Manila North Harbor (MNH) for 25 years reckoning on the first day of the commencement of operations renewable for another 25 years under such terms and conditions as the parties may agree. In consideration, MNHPI shall remit a fixed fee every quarter and submit a performance security to the PPA.

In this regard, MNHPI shall provide services and development based on the operation and volume requirement of the port and shall be allowed to collect fees and charges, as approved by the PPA. The fees to be charged by MNHPI shall be in accordance with the price policy and rate setting mechanism adopted by PPA and the laws and regulations promulgated by the government. Upon the expiration of the Contract or in the event of its termination or cancellation prior to its expiration, all existing improvements, structures, building and facilities at MNH permanent, constructed by or belonging to MNHPI shall automatically become the property of the PPA without any obligation to reimburse therefore, except for port equipment purchased five years prior to expiration or termination of the Contract wherein the PPA has option to either purchase or lease the same from MNHPI.

On April 12, 2010, the PPA turned over the operations of the MNH to MNHPI. MNHPI recognized as concession assets all costs directly related to the Contract and development of the port.

On March 21, 2011, MNHPI and the PPA entered into a Clarificatory Agreement to the Contract related to the implementation of some terms and conditions to harmonize and be consistent with the date of the turnover, which was on April 12, 2010, and ensure fairness to both parties concerned as follows: (a) the fixed fee is exclusive of VAT; (b) the performance security shall be equivalent to 60% of the annual fixed fee, which shall be reckoned from April 12, 2010; (c) establishment of the Portworker’s Retirement and Separation Fund (PRSF) shall be within one year from April 12, 2010; (d) all rentals within the area of management, operation, development and maintenance of MNHPI from April 12, 2010 and thereafter shall accrue to MNHPI; and (e) applicable terms and conditions of the Contract shall become operative on April 12, 2010.

▪ **Telecommunications**

Congressional Franchises and Licenses Issued by the National Telecommunications Commission (NTC)

○ BellTel

On March 25, 1994, the Philippine Congress passed RA No. 7692 which granted a 25-year franchise to BellTel to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes.

On October 28, 1997, the NTC, under NTC Case No. 94-229, granted a Provisional Authority (PA) to BellTel, valid for 18 months, or until April 27, 1999, to install, operate and maintain the following telecommunication services:

- international gateway facility;
- inter-exchange carrier facility;
- VSAT system nationwide;
- telephone systems in the selected cities and municipalities in the Luzon area;
- Wireless Local Loop telephone systems in the cities of Muntinlupa, Las Piñas, Pasig, Mandaluyong, Makati, Pasay, Parañaque, Taguig and Marikina; and in the municipalities of Pateros and San Juan; and
- telephone systems in all economic zones identified under RA No. 7916.

Since then, this PA had been extended several times, the latest extension of which is valid until March 5, 2018.

In an Order dated October 19, 2007 (CCC Case No. 94-223), the NTC granted BellTel a PA, valid for 18 months or until April 19, 2009, to install, operate and maintain a Mobile Telecommunication Network as set forth in the said Order. Since then, this PA had been extended, the latest extension of which is valid until April 17, 2018.

○ ETPI

On October 3, 2002, RA No. 9172 entitled “An Act Renewing and Amending the Franchise Granted to ETPI (Eastern Extension Australasia and China Telegraph Company Limited) under RA No. 808, as Amended” extended for another 25 years ETPI’s legislative franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, throughout the Philippines and between the Philippines and other countries and territories, the following telecommunications services:

- wire and/or wireless telecommunications systems, including but not limited to mobile, cellular, paging, fiber optic, multi-channel distribution system, local multi-point distribution system, satellite transmit and receive systems, switches, and their value-added services such as, but not limited to, transmission of voice, data, facsimile, control signs, audio and video, information services bureau and all other telecommunications systems technologies as are at present available or will be made available through technological advances or innovations in the future; and construct, acquire, lease and operate or manage transmitting and receiving stations, lines, cables or systems, as is, or are, convenient or essential to efficiently carry out the purpose of the franchise.

○ TTPI

a. *Local Exchange Carrier (LEC)*

TTPI has an approved congressional franchise granted under RA No. 7671, as amended by RA No. 7674, to install, operate and maintain telecommunications systems throughout the Philippines.

On September 25, 1996, the NTC granted TTPI a PA to install, operate and maintain LEC services in the provinces of Batanes, Cagayan, Isabela, Kalinga, Apayao, Nueva Vizcaya, Ifugao and Quirino and the cities of Manila and Caloocan as well as the municipality of Navotas in order to commence compliance with the requirements of Executive Order No. 109 (s. 1993), which required ETPI to put up a minimum of 300,000 LEC lines. TTPI is allowed to deploy Public Calling Offices in municipalities and barangays within its authorized service area in lieu of rolling out LEC lines.

On January 18, 2006, the NTC granted TTPI a Certificate of Public Convenience and Necessity (CPCN) to install, operate and maintain LEC services in the cities of Manila and Caloocan, as well as in the provinces of Cagayan and Isabela. In addition, in a letter dated August 14, 2006, the NTC confirmed that TTPI has already completely served the remaining areas it needs to serve under the PA of September 25, 1996. On January 8, 2010, TTPI was granted a CPCN to install, operate and maintain LEC services in the municipality of Navotas and the provinces of Cagayan, Isabela, Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

On September 25, 1996, October 16, 2006 and December 23, 2008, the NTC issued separate PAs in favor of TTPI to install, operate and maintain LEC services in the remaining cities and municipalities of Metro Manila, in the provinces of Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) and in the provinces of Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

The NTC granted TTPI a PA to install, operate and maintain LEC service in the rest of the Greater Manila Area on October 16, 2006. The PA was extended by the NTC on September 11, 2008 for three years but not beyond April 16, 2011. The motion for an extension of the PA is still pending with the NTC as of December 31, 2015.

b. Tori Spectrum

On September 21, 2012, Tori Spectrum was granted an extension of its congressional franchise through 2037, including appropriate licenses, which allows it to provide various types of domestic and international communication service to the public.

Tori Spectrum's operations are regulated by the NTC. Consequently, certain service offering and rate settings are approved by the NTC. Tori Spectrum has various radio-based stations nationwide.

○ *CTI*

On September 3, 2009, CTI was granted an extension of its congressional franchise for another 25 years.

On October 28, 1997, the NTC, under NTC Case No. 87-39, granted a Certificate of Public Convenience and Necessity (CPCN) to CTI, co-terminus with its Franchise, to construct, install and operate CMTS nationwide.

Lease Commitments:

- Finance Leases

Group as Lessee

a. IPPA Agreements

The IPPA Agreements are with the conformity of NPC, a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the IPPA Agreements and further confirms that for as long as it remains the counterparty of the IPP, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements provide the Group with a right to receive a transfer of the power plant upon termination of the IPPA Agreement at the end of the cooperation period or in case of buy-out. In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreements are agreements that contains a finance lease. The Group's management has also made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants. Accordingly, the carrying amount of the Group's capitalized asset and related liability of P182,946 and P179,193 as of December 31, 2015 and P188,133 and P186,304 as of December 31, 2014, respectively, (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) are presented as part of "Property, plant and equipment" and "Finance lease liabilities" accounts in the consolidated statements of financial position (Notes 4 and 15).

The Group's incremental borrowing rates are as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the consolidated statements of income. Interest expense amounted to P10,213, P10,718, and P10,984, in 2015, 2014 and 2013, respectively (Note 31).

The future minimum lease payments for each of the following periods are as follows:

2015

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$250	P11,774	P11,981	P23,755
More than one year and not later than five years	1,072	50,446	51,334	101,780
Later than five years	1,119	52,643	53,617	106,260
	2,441	114,863	116,932	231,795
Less: Future finance charges on finance lease liabilities	383	18,032	34,570	52,602
Present values of finance lease liabilities	US\$2,058	P96,831	P82,362	P179,193

2014

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$239	P10,668	P11,423	P22,091
More than one year and not later than five years	1,027	45,928	49,178	95,106
Later than five years	1,413	63,225	67,753	130,978
	2,679	119,821	128,354	248,175
Less: Future finance charges on finance lease liabilities	462	20,677	41,194	61,871
Present values of finance lease liabilities	US\$2,217	P99,144	P87,160	P186,304

The present values of minimum lease payments for each of the following periods are as follows:

2015

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$197	P9,275	P7,272	P16,547
More than one year and not later than five years	768	36,132	25,606	61,738
Later than five years	1,093	51,424	49,484	100,908
	US\$2,058	P96,831	P82,362	P179,193

2014

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$195	P8,719	P7,486	P16,205
More than one year and not later than five years	765	34,207	26,605	60,812
Later than five years	1,257	56,218	53,069	109,287
	US\$2,217	P99,144	P87,160	P186,304

b. Equipment

The Group's finance leases cover equipment needed for business operations. The agreements do not allow subleasing. The net carrying amount of leased assets is P96 and P22 as of December 31, 2015 and 2014, respectively (Notes 4 and 15).

The Group's share in the minimum lease payments for these finance lease liabilities are as follows:

2015

	Minimum Lease Payable	Interest	Principal
Within one year	P27	P6	P21
After one year but not more than two years	28	5	23
More than two years	47	4	43
	P102	P15	P87

2014

	Minimum Lease Payable	Interest	Principal
Within one year	P16	P2	P14
After one year but not more than two years	14	2	12
	P30	P4	P26

▪ Operating Leases

Group as Lessor

The Group has entered into lease agreements on its investment property portfolio, consisting of surplus office spaces (Note 16). The non-cancellable leases have remaining terms of 3 to 14 years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	2015	2014	2013
Within one year	P4,511	P4,317	P322
After one year but not more than five years	7,722	12,003	544
After five years	14	25	43
	P12,247	P16,345	P909

Rent income recognized in the consolidated statements of income amounted to P1,258, P1,672 and P1,428 in 2015, 2014 and 2013, respectively (Note 4).

Group as Lessee

The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of 1 to 16 years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Non-cancellable operating lease rentals are payable as follows:

	2015	2014	2013
Within one year	P2,317	P1,930	P1,684
After one year but not more than five years	4,592	3,946	4,052
More than five years	11,080	10,706	9,357
	P17,989	P16,582	P15,093

Rent expense recognized in the consolidated statements of income amounted to P3,904, P3,673 and P3,347 in 2015, 2014 and 2013, respectively (Notes 4, 27 and 28).

36. Retirement Plans

The Parent Company and majority of its subsidiaries have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Parent Company and majority of its subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2015. Valuations are obtained on a periodic basis.

Majority of the Retirement Plans are registered with the BIR as tax-qualified plans under RA No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. The Board of Trustees of the Group's Retirement Plans exercises voting rights over the shares and approve material transactions. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Parent Company.

The following table shows a reconciliation of the net defined benefit retirement asset (liability) and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Retirement Obligation		Effect of Asset Ceiling		Net Defined Benefit Retirement Liability	
	2015	2014	2015	2014	2015	2014	2015	2014
Balance at beginning of year	P25,444	P29,235	(P26,925)	(P26,013)	(P2,786)	(P4,051)	(P4,267)	(P829)
Benefit asset of (obligation) newly-acquired and disposed subsidiaries	20	-	(312)	-	-	-	(292)	-
Recognized in profit or loss								
Service costs		-	(1,333)	(1,258)	-	-	(1,333)	(1,258)
Interest expense		-	(1,198)	(1,148)	-	-	(1,198)	(1,148)
Interest income	1,102	1,297	-	-	-	-	1,102	1,297
Interest on the effect of asset ceiling	-	-	-	-	(114)	(178)	(114)	(178)
Settlements	-	-	(21)	96	-	-	(21)	96
	1,102	1,297	(2,552)	(2,310)	(114)	(178)	(1,564)	(1,191)
Recognized in other comprehensive income								
Remeasurements:								
Actuarial (gains) losses arising from:								
Experience adjustments	-	-	(922)	(1,167)	-	-	(922)	(1,167)
Changes in financial assumptions	-	-	435	(166)	-	-	435	(166)
Changes in demographic assumptions	-	-	395	537	-	-	395	537
Return on plan asset excluding interest	(5,399)	(4,756)	-	-	-	-	(5,399)	(4,756)
Changes in the effect of asset ceiling	-	-	-	-	962	1,443	962	1,443
	(5,399)	(4,756)	(92)	(796)	962	1,443	(4,529)	(4,109)
Others								
Contributions	1,830	1,692	-	-	-	-	1,830	1,692
Benefits paid	(1,601)	(2,040)	1,657	2,145	-	-	56	105
Transfers from other plans	-	-	-	-	-	-	-	-
Transfers to other plans	-	-	6	-	-	-	6	-
Other adjustments	14	16	162	49	-	-	176	65
	243	(332)	1,825	2,194	-	-	2,068	1,862
Balance at end of year	P21,410	P25,444	(P28,056)	(P26,925)	(P1,938)	(P2,786)	(P8,584)	(P4,267)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement benefits recognized in the consolidated statements of income by the Parent Company amounted to P26, P31 and P63 in 2015, 2014 and 2013, respectively (Note 30).

Retirement costs recognized in the consolidated statements of income by the subsidiaries amounted to P1,590, P1,222 and P1,425 in 2015, 2014 and 2013, respectively (Note 30).

As of December 31, 2015, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P3,175 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P91 and P11,668, respectively (Notes 21 and 23).

As of December 31, 2014, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P3,830 (Note 19) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P127 and P7,970, respectively (Notes 21 and 23).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2015 and 2014.

The Group's plan assets consist of the following:

	In Percentages	
	2015	2014
Investments in marketable securities and shares of stock	72.74	70.11
Investments in pooled funds:		
Fixed income portfolio	8.68	7.47
Stock trading portfolio	6.11	5.78
Investments in real estate	0.54	0.49
Others	11.93	16.15

Investments in Marketable Securities

As of December 31, 2015, the plan assets include:

- 25,146,517 common shares and 32,511,970 Subseries "2-B", 2,666,700 Subseries "2-D", 4,000,000 Subseries "2-E" and 8,000,000 Subseries "2-F" Preferred Shares of the Parent Company with fair market value per share of P49.90, P77.40, P85.00, P76.00 and P79.90, respectively;
- 731,516,097 common shares and 290,470 preferred shares of Petron with fair market value per share of P6.99 and P1,070.00, respectively;
- 20,459,785 common shares of GSMI with fair market value per share of P12.28;
- 226,998 common shares and 300,000 preferred shares of SMPFC with fair market value per share of P129.00 and P1,029.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00; and
- 2,170,861 common shares of Top Frontier with fair market value per share of P67.60.

As of December 31, 2014, the plan assets include:

- 21,733,617 common shares and 6,661,840 Subseries “2-A” and 32,511,970 Subseries “2-B” Preferred Shares of the Parent Company with fair market value per share of P73.80, P75.60 and P78.15, respectively;
- 731,516,097 common shares and 2,945,000 preferred shares of Petron with fair market value per share of P10.60 and P101.80, respectively;
- 18,959,785 common shares of GSMI with fair market value per share of P15.88;
- 226,998 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P208.00 and P1,009.00, respectively;
- 33,635,700 common shares of SMB with fair market value per share of P20.00; and
- 2,170,861 common shares of Top Frontier with fair market value per share of P124.00.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group’s Retirement Plans recognized losses on the investment in marketable securities of Top Frontier, Parent Company and its subsidiaries amounting to P3,183 and P3,993 in 2015 and 2014, respectively.

Dividend income from the investment in shares of stock of Parent Company and its subsidiaries amounted to P350, P365 and P713 in 2015, 2014 and 2013, respectively.

Investments in Shares of Stock

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC representing 44,834,286 common shares, accounted for under the equity method amounting to P9,938 and P10,164 as of December 31, 2015 and 2014, respectively. SMCRP recognized its share in total comprehensive income (loss) of BOC amounting to (P226) and P1,093 in 2015 and 2014, respectively (Note 13).

b. PAHL

Petron Corporation Employees Retirement Plan (PCERP) has an investment in PAHL with a carrying amount of P1,472 and P1,553 equivalent to 53% and 54% equity interest as of December 31, 2015 and 2014, respectively.

PCERP recognized its share in net losses amounting to P81 and P107 in 2015 and 2014, respectively.

c. BPI

The Group’s plan assets also include San Miguel Brewery Inc. Retirement Plan’s investment in BPI representing 4,708,494 preferred shares as of December 31, 2015 and 2014.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 6% of the Retirement Plans' investments in pooled funds in stock trading portfolio include investments in shares of stock of the Parent Company and its subsidiaries as of December 31, 2015 and 2014.

Approximately 64% and 49% of the Retirement Plans' investments in pooled funds in fixed income portfolio include investments in shares of stock of the Parent Company and its subsidiaries as of December 31, 2015 and 2014, respectively.

Investments in Real Estate

The Retirement Plans of the Group have investments in real estate properties as of December 31, 2015 and 2014.

Others

Others include the Retirement Plans' investments in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the defined benefit retirement obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute P2,329 to the Retirement Plans in 2016.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plans' investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2015	2014
Discount rate	4.11 - 9.00	3.44 - 8.80
Salary increase rate	4.00 - 8.00	4.00 - 8.00

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation ranges from 1.5 to 31.36 years and 1.5 to 27.78 years as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation			
	2015		2014	
	1 Percent Increase	1 Percent Decrease	1 Percent Increase	1 Percent Decrease
Discount rate	(P1,085)	P1,263	(P1,108)	P1,281
Salary increase rate	1,141	(1,002)	1,138	(1,009)

The outstanding balances of the Group's receivables from the retirement plans are as follows:

- a. Petron has advances to PCERP amounting to P6,597 and P6,263 as of December 31, 2015 and 2014, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statements of financial position (Notes 10 and 19). The advances are subject to interest of 5% in 2015 and 2014 (Note 32).
- b. The Parent Company has advances to SMCRP amounting to P6,597 and P6,423 as of December 31, 2015 and 2014, respectively, included as part of "Amounts owed by related parties" under "Trade and other receivables" account in the consolidated statements of financial position (Note 10). The advances are subject to interest of 5.75% in 2015 and 2014 (Note 32).

Transactions with the Retirement Plans are made at normal market prices and terms. Outstanding balances as of December 31, 2015 and 2014 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from the Retirement Plans for the years ended December 31, 2015, 2014 and 2013.

37. Cash Dividends

The BOD of the Parent Company approved the declaration and payment of the following cash dividends to common and preferred stockholders as follows:

	Date of Declaration	Date of Record	Date of Payment	Dividend per Share		Date of Declaration	Date of Record	Date of Payment	Dividend per Share
Common					Common				
	April 22, 2015	May 8, 2015	May 20, 2015	P0.35		April 10, 2014	April 29, 2014	May 16, 2014	P0.35
	July 14, 2015	July 31, 2015	August 14, 2015	0.35		June 10, 2014	June 27, 2014	July 21, 2014	0.35
	September 17, 2015	October 9, 2015	November 4, 2015	0.35		September 18, 2014	October 17, 2014	November 7, 2014	0.35
	December 10, 2015	January 8, 2016	February 2, 2016	0.35		December 11, 2014	January 7, 2015	February 2, 2015	0.35
Preferred					Preferred				
SMC2A	May 14, 2015	May 29, 2015	June 11, 2015	1.40625	SMC2A	May 12, 2014	June 13, 2014	June 27, 2014	1.40625
	August 20, 2015	September 11, 2015	September 21, 2015	1.40625		May 12, 2014	September 11, 2014	September 26, 2014	1.40625
						November 10, 2014	November 28, 2014	December 23, 2014	1.40625
						November 10, 2014	February 27, 2015	March 25, 2015	1.40625
SMC2B	May 14, 2015	May 29, 2015	June 11, 2015	1.4296875	SMC2B	May 12, 2014	June 13, 2014	June 27, 2014	1.4296875
	August 20, 2015	September 11, 2015	September 21, 2015	1.4296875		May 12, 2014	September 11, 2014	September 26, 2014	1.4296875
	November 10, 2015	December 17, 2015	December 29, 2015	1.4296875		November 10, 2014	November 28, 2014	December 23, 2014	1.4296875
						November 10, 2014	February 27, 2015	March 25, 2015	1.4296875
SMC2C	May 14, 2015	May 29, 2015	June 11, 2015	1.50	SMC2C	May 12, 2014	June 13, 2014	June 27, 2014	1.50
	August 20, 2015	September 11, 2015	September 21, 2015	1.50		May 12, 2014	September 11, 2014	September 26, 2014	1.50
	November 10, 2015	December 17, 2015	December 29, 2015	1.50		November 10, 2014	November 28, 2014	December 23, 2014	1.50
						November 10, 2014	February 27, 2015	March 25, 2015	1.50
SMC2D	November 10, 2015	December 17, 2015	December 29, 2015	1.11433125					
SMC2E	November 10, 2015	December 17, 2015	December 29, 2015	1.18603125					
SMC2F	November 10, 2015	December 17, 2015	December 29, 2015	1.27635					
SMCP1	June 9, 2015	June 26, 2015	July 8, 2015	1.0546					
	August 20, 2015	September 11, 2015	September 21, 2015	1.0565625					
	November 10, 2015	December 17, 2015	December 29, 2015	1.0565625					

38. Basic and Diluted Earnings Per Share

Basic and diluted EPS is computed as follows:

	<i>Note</i>	2015	2014	2013
Income attributable to equity holders of the Parent Company		P12,448	P15,137	P38,517
Dividends on preferred shares for the year	25, 37	(6,425)	(6,106)	(6,106)
Net income attributable to common shareholders of the Parent Company (a)		P6,023	P9,031	P32,411
Weighted average number of common shares outstanding (in millions) - basic (b)		2,378	2,378	2,378
Effect of dilution - common	40	7	13	14
Weighted average number of common shares outstanding (in millions) - diluted (c)		2,385	2,391	2,392
Earnings per common share attributable to equity holders of the Parent Company				
Basic (a/b)		P2.53	P3.80	P13.63
Diluted (a/c)		2.53	3.78	13.55

39. Supplemental Cash Flow Information

Supplemental information with respect to the consolidated statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the consolidated statements of financial position):

	2015	2014	2013
Trade and other receivables - net	P24,144	P3,454	(P21,181)
Inventories	21,854	(3,918)	1,797
Prepaid expenses and other current assets	(13,381)	(13,930)	(2,604)
Accounts payable and accrued expenses	(31,670)	451	27,882
Income and other taxes payable and others	(7,094)	(909)	(10,899)
Changes in noncash current assets, certain current liabilities and others	(P6,147)	(P14,852)	(P5,005)

b. Acquisition of subsidiaries (Note 5)

	<i>Note</i>	2015	2014	2013
Cash and cash equivalents		P23,183	P1,022	P1,477
Trade and other receivables - net		7,496	86	2,450
Inventories		508	-	1,048
Prepaid expenses and other current assets		4,020	213	1,407
Property, plant and equipment - net		4,969	1,184	3,078
Other intangible assets - net		83,886	165	25,837
Deferred tax assets		160	9	144
Other noncurrent assets - net		813	2	72
Loans payable		(2,345)	-	(1,792)
Accounts payable and accrued expenses		(21,093)	(1,309)	(6,209)
Income and other taxes payable		(726)	(2)	(2)
Dividends payable		(373)	-	-
Long-term debt - net of debt issue costs		(49,886)	-	(8,069)
Deferred tax liabilities		(5,165)	-	(740)
Finance lease liabilities		(75)	-	-
Other noncurrent liabilities		(12,872)	-	(11,376)
Non-controlling interests		(10,715)	(32)	(3,351)
Net assets		21,785	1,338	3,974
Cash and cash equivalents		(23,183)	(1,022)	(1,477)
Goodwill in subsidiaries	4, 5, 18	18,918	7	1,572
Investment and advances		(24,302)	(21)	(3,569)
Equity reserve		-	-	12
Net cash flows		(P6,782)	P302	P512

40. Share-Based Transactions

ESPP

Under the ESPP, 80,396,659 shares (inclusive of stock dividends declared) of the Parent Company's unissued shares have been reserved for the employees of the Group. All permanent Philippine-based employees of the Group, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Parent Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

The current portion of receivable from employees amounted to P54 and P109 as of December 31, 2015 and 2014, respectively, presented as part of "Non-trade" under "Trade and other receivables" account in the consolidated statements of financial position (Note 10).

The noncurrent portion of P70 and P157 as of December 31, 2015 and 2014, respectively, is presented as part of "Noncurrent receivables and deposits" under "Other noncurrent assets" account in the consolidated statements of financial position (Note 19).

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP or convert such shares to treasury stock. As of December 31, 2015 and 2014, 3,478,400 common shares under the ESPP, were cancelled and held in treasury (Note 25).

There were no shares offered under the ESPP in 2015 and 2014.

LTIP

The Parent Company also maintains LTIP for the executives of the Group. The options are exercisable at the fair market value of the Parent Company shares as of the date of grant, with adjustments depending on the average stock prices of the prior three months. A total of 54,244,905 shares, inclusive of stock dividends declared, are reserved for the LTIP over its ten-year life. The LTIP is administered by the Executive Compensation Committee of the Parent Company's BOD.

There were no LTIP offered to executives in 2015 and 2014.

Options to purchase 6,801,369 shares and 13,278,578 shares in 2015 and 2014, respectively, were outstanding at the end of each year. Options which were exercised and cancelled totaled 6,477,209 shares and 382,278 shares in 2015 and 2014, respectively.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the 2nd year and the remaining option lot is fully vested on the 3rd year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

A summary of the status of the outstanding share stock options and the related weighted average price under the LTIP is shown below:

		2015		2014	
		Number of Share Stock Options	Weighted Average Price	Number of Share Stock Options	Weighted Average Price
	Note				
Class “A”					
Number of shares at beginning of year		9,410,620	P70.25	9,716,435	P70.75
Exercised during the year	25	(85,272)	60.01	(101,241)	53.21
Expired during the year		(3,595,930)	64.85	(204,574)	102.54
Number of shares at end of year		5,729,418	73.79	9,410,620	70.25
Class “B”					
Number of shares at beginning of year		3,867,958	67.30	3,944,421	67.20
Exercised during the year	25	(294,572)	74.88	(39,687)	58.08
Expired during the year		(2,501,435)	75.48	(36,776)	66.25
Number of shares at end of year		1,071,951	46.15	3,867,958	67.30

Effective August 26, 2010, all Class “A” common shares and Class “B” common shares of the Parent Company were declassified and considered as common shares without distinction. However, as of December 31, 2015 and 2014, the number of the outstanding share stock options and related weighted average price under LTIP were presented as Class “A” and Class “B” common shares to recognize the average price of stock options granted prior to August 26, 2010.

The fair value of equity-settled share options granted is estimated as of the date of grant using Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted. Expected volatility is estimated by considering average share price volatility.

The range of prices for options outstanding was P40.50 to P120.30 as of December 31, 2015 and 2014.

Share-based payment charged to operations, included under “Administrative expenses - personnel expenses” account, amounted to P1 in 2015 and 2014 and P95 in 2013, respectively (Note 28).

41. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, option deposit, AFS financial assets, financial assets at FVPL, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The outstanding derivative instruments of the Group such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the operating and financing activities. The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the annual report of the Group.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings and investment securities. Investments acquired or borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, investment securities acquired or borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

On the other hand, the investment policy of the Group is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,933, P1,655 and P1,579 in 2015, 2014 and 2013, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2015	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P6,060	P29,399	P9,643	P23,426	P13,730	P58,854	P141,112
Interest rate	5.65% - 8.74899%	5.65% - 8.74899%	5.65% - 8.74899%	5.50% - 10.50%	4.9925% - 8.74899%	5.50% - 8.74899%	
Foreign currency-denominated (expressed in Philippine peso)	14,021	-	-	-	-	24,301	38,322
Interest rate	7% - 13.27%	-	-	-	-	4.875%	
Floating Rate							
Philippine peso-denominated	1,096	1,215	1,303	1,059	545	1,915	7,133
Interest rate	PDST-R + margin or BSP overnight rate, whichever is higher	PDST-R + margin or BSP overnight rate, whichever is higher	PDST-R + margin or BSP overnight rate, whichever is higher	PDST-R + margin or BSP overnight rate, whichever is higher	PDST-R + margin or 5.75%, whichever is higher	PDST-R + margin or 5.75%, whichever is higher	
Foreign currency-denominated (expressed in Philippine peso)	16,672	11,181	126,410	11,046	20,901	-	186,210
Interest rate	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin,		
	P37,849	P41,795	P137,356	P35,531	P35,176	P85,070	P372,777

December 31, 2014	<1 Year	1-2 Years	>2-3 Years	>3-4 Years	>4-5 Years	>5 Years	Total
Fixed Rate							
Philippine peso-denominated	P2,438	P4,033	P26,141	P4,384	P17,171	P38,042	P92,209
Interest rate	5.4885% - 8.2498%	6.0606% - 8.2498%	6.05% - 8.2498%	6.0606% - 8.2498%	5.93% - 10.50%	5.50% - 8.2498%	
Foreign currency-denominated (expressed in Philippine peso)	-	13,262	-	-	-	35,776	49,038
Interest rate		7%				4.875%	
Floating Rate							
Philippine peso-denominated	11,664	1,495	1,511	1,512	1,147	1,467	18,796
Interest rate	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin or BSP overnight rate + margin, whichever is higher	PDST-F + margin	
Foreign currency-denominated (expressed in Philippine peso)	6,101	19,145	13,546	104,391	3,569	-	146,752
Interest rate	LIBOR + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin	LIBOR + margin, COF + margin		
	P20,203	P37,935	P41,198	P110,287	P21,887	P75,285	P306,795

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

Information on the Group's foreign currency-denominated monetary assets and monetary liabilities and their Philippine peso equivalents is as follows:

	December 31, 2015		December 31, 2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US\$1,766	P83,084	US\$2,761	P123,571
Trade and other receivables	866	40,098	900	40,264
Prepaid expenses and other current assets	56	2,578	26	1,150
Noncurrent receivables	43	2,007	184	8,199
	2,731	127,767	3,871	173,184
Liabilities				
Loans payable	356	16,774	808	36,109
Accounts payable and accrued expenses	851	40,064	1,220	54,576
Long-term debt (including current maturities)	4,770	224,532	4,378	195,790
Finance lease liabilities (including current portion)	2,058	96,843	2,218	99,169
Other noncurrent liabilities	1	33	713	31,912
	8,036	378,246	9,337	417,556
Net foreign currency- denominated monetary liabilities	(US\$5,305)	(P250,479)	(US\$5,466)	(P244,372)

The Group reported losses on foreign exchange - net amounting to P12,081, P2,412 and P19,436 in 2015, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 33). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2015	47.060
December 31, 2014	44.720
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Group's equity (due to translation of results and financial position of foreign operations):

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
December 31, 2015				
Cash and cash equivalents	(P1,457)	(P1,329)	P1,457	P1,329
Trade and other receivables	(689)	(662)	689	662
Prepaid expenses and other current assets	(47)	(42)	47	42
Noncurrent receivables	(34)	(36)	34	36
	(2,227)	(2,069)	2,227	2,069
Loans payable	240	284	(240)	(284)
Accounts payable and accrued expenses	529	692	(529)	(692)
Long-term debt (including current maturities)	4,360	3,462	(4,360)	(3,462)
Finance lease liabilities (including current portion)	2,058	1,441	(2,058)	(1,441)
Other noncurrent liabilities	1	1	(1)	(1)
	7,188	5,880	(7,188)	(5,880)
	P4,961	P3,811	(P4,961)	(P3,811)
	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
December 31, 2014				
Cash and cash equivalents	(P2,242)	(P2,091)	P2,242	P2,091
Trade and other receivables	(261)	(821)	261	821
Prepaid expenses and other current assets	(26)	(18)	26	18
Noncurrent receivables	(166)	(135)	166	135
	(2,695)	(3,065)	2,695	3,065
Loans payable	454	675	(454)	(675)
Accounts payable and accrued expenses	494	1,069	(494)	(1,069)
Long-term debt (including current maturities)	4,292	3,091	(4,292)	(3,091)
Finance lease liabilities (including current portion)	2,218	1,552	(2,218)	(1,552)
Other noncurrent liabilities	637	522	(637)	(522)
	8,095	6,909	(8,095)	(6,909)
	P5,400	P3,844	(P5,400)	(P3,844)

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

The Parent Company enters into commodity derivative transactions on behalf of its subsidiaries and affiliates to reduce cost by optimizing purchasing synergies within the Group and managing inventory levels of common materials.

Commodity Swaps, Futures and Options. Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary. The Group also uses derivative instruments such as forwards and swaps to manage liquidity.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P180,758	P180,758	P180,758	P -	P -	P -
Trade and other receivables - net	100,727	100,727	100,727	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	391	391	391	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	147	147	147	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	41,616	41,647	85	41,172	213	177
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	9,389	9,473	-	2,587	1,089	5,797
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	5,661	5,661	4,230	1,431	-	-
Financial Liabilities						
Loans payable	146,859	147,633	147,633	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	99,794	99,794	99,794	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,581	2,581	2,581	-	-	-
Long-term debt (including current maturities)	368,377	439,427	54,480	56,767	232,745	95,435
Finance lease liabilities (including current portion)	179,280	231,882	23,776	24,040	77,806	106,260
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	18,371	18,376	-	17,831	4	541

December 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P258,606	P258,606	P258,606	P -	P -	P -
Trade and other receivables - net	129,238	129,238	129,238	-	-	-
Option deposit (included under "Prepaid expenses and other current assets" account)	1,118	1,118	1,118	-	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	360	360	360	-	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	136	136	136	-	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	41,890	41,927	460	41,253	214	-
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	14,967	14,977	-	2,434	8,072	4,471
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	2,659	2,659	1,604	1,055	-	-
Financial Liabilities						
Loans payable	180,059	181,011	181,011	-	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	121,371	121,371	121,371	-	-	-
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	325	325	325	-	-	-
Long-term debt (including current maturities)	302,988	367,781	34,219	50,063	196,766	86,733
Finance lease liabilities (including current portion)	186,330	248,201	22,105	23,173	71,945	130,978
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	2,394	2,397	-	1,907	3	487

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables and investment securities. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Investments

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	<i>Note</i>	2015	2014
Cash and cash equivalents (excluding cash on hand)	9	P178,581	P255,786
Trade and other receivables - net	10	100,727	129,238
Option deposit	12	-	1,118
Derivative assets	12	391	360
Financial assets at FVPL	12	147	136
AFS financial assets	12, 14	41,616	41,890
Noncurrent receivables and deposits - net	19	9,389	14,967
Restricted cash	12, 19	5,661	2,659
		P336,512	P446,154

The credit risk for cash and cash equivalents, option deposit, derivative assets, financial assets at FVPL, AFS financial assets and restricted cash is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below:

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.
- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at a reasonable price.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, cumulative translation adjustments, reserve for retirement plan and equity reserve are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

42. Financial Assets and Financial Liabilities

The table below presents a comparison by category of the carrying amounts and fair values of the Group's financial instruments:

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P180,758	P180,758	P258,606	P258,606
Trade and other receivables - net	100,727	100,727	129,238	129,238
Option deposit (included under "Prepaid expenses and other current assets" account)	-	-	1,118	1,118
Derivative assets (included under "Prepaid expenses and other current assets" account)	391	391	360	360
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	147	147	136	136
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	41,616	41,616	41,890	41,890
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	9,389	9,389	14,967	14,591
Restricted cash (included under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts)	5,661	5,661	2,659	2,659
Financial Liabilities				
Loans payable	146,859	146,859	180,059	180,059
Accounts payable and accrued expenses (excluding current retirement liabilities, derivative liabilities and IRO)	99,794	99,794	121,371	121,371
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	2,581	2,581	325	325
Long-term debt (including current maturities)	368,377	392,690	302,988	327,077
Finance lease liabilities (including current portion)	179,280	179,280	186,330	186,330
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO and ARO)	18,371	18,371	2,394	2,394

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables, Option Deposit, Noncurrent Receivables and Deposits and Restricted Cash. The carrying amount of cash and cash equivalents, trade and other receivables and option deposit approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits and restricted cash, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Financial Assets at FVPL and AFS Financial Assets. The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

Loans Payable and Accounts Payable and Accrued Expenses. The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 2.4% to 4.6% and 2.5% to 4.3% as of December 31, 2015 and 2014, respectively. The discount rates used for foreign currency-denominated loans range from 0.4% to 9.1% and 0.2% to 2.1% as of December 31, 2015 and 2014, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments

The Group's derivative financial instruments according to the type of financial risk being managed and the details of freestanding and embedded derivative financial instruments are discussed below.

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Freestanding Derivatives

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

Interest Rate Swap

As of December 31, 2015, the Group has outstanding interest rate swap with notional amount of US\$300. Under the agreement, the Group receives quarterly floating interest rate based on LIBOR and pays annual fixed interest rate adjusted based on a specified index up to March 2020. The negative fair value of the swap amounted to P632 as of December 31, 2015. The Group has no outstanding interest rate swap as of December 31, 2014.

Currency Forwards

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,013 and US\$1,673 as of December 31, 2015 and 2014, respectively, and with various maturities in 2016 and 2015. The net negative fair value of these currency forwards amounted to P202 as of December 31, 2015 while the fair value of currency forwards as of December 31, 2014 is minimal.

Currency Options

As of December 31, 2015 and 2014, the Group has outstanding currency options with an aggregate notional amount of US\$565 and US\$245, respectively, and with various maturities in 2016 and 2015. The net negative fair value of these currency options amounted to P1,232 and P140 as of December 31, 2015 and 2014, respectively.

Commodity Swaps

The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2016 and 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 1,150 and 610 metric tons as of December 31, 2015 and 2014, respectively. The net negative fair value of these swaps amounted to P2 as of December 31, 2015 and 2014.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2016 and 2015. Under the agreement, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps is 10.9 and 6.6 million barrels as of December 31, 2015 and 2014, respectively. The positive (negative) fair value of these swaps amounted to (P39) and P1,398 as of December 31, 2015 and 2014, respectively.

Commodity Options

The Group has outstanding bought and sold options covering its wheat requirements with notional quantity of 5,987 metric tons as of December 31, 2014. These options can be exercised at various calculation dates in 2015 with specified quantities on each calculation date. The net negative fair value of these options amounted to P5 as of December 31, 2014. As of December 31, 2015, the Group has no outstanding commodity options on the purchase of wheat.

As of December 31, 2015 and 2014, the Group has no outstanding commodity options on the purchase of soybean meals.

The Group has no outstanding 3-way options designated as hedge of forecasted purchases of crude oil as of December 31, 2015 and 2014.

The call and put options can be exercised at various calculation dates with specified quantities on each calculation date.

Embedded Derivatives

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

Embedded Currency Forwards

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$173 and US\$152 as of December 31, 2015 and 2014, respectively. These non-financial contracts consist mainly of foreign currency-denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P83 and P54 as of December 31, 2015 and 2014, respectively.

Embedded Currency Options

The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US\$1 as of December 31, 2014. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency options amounted to P1 as of December 31, 2014.

The Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P3,971, P7,513 and P2,448 in 2015, 2014 and 2013, respectively (Note 33).

Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	2015	2014
Balance at beginning of year	P35	P226
Net change in fair value of non-accounting hedges	3,971	7,513
	4,006	7,739
Less fair value of settled instruments	6,196	7,704
Balance at end of year	(P2,190)	P35

Fair Value Hierarchy

Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value by valuation method:

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P391	P391	P -	P360	P360
Financial assets at FVPL	-	147	147	-	136	136
AFS financial assets	407	41,209	41,616	533	41,357	41,890
Financial Liabilities						
Derivative liabilities	-	2,581	2,581	-	325	325

The Group has no financial instruments valued based on Level 3 as of December 31, 2015 and 2014. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurement.

43. Registration with the Board of Investments (BOI)

a. SMC Global

SEPC

On August 21, 2007, SEPC was registered with the BOI under the Omnibus Investments Code of 1987 (Executive Order No. 226), as New Domestic Producer of Coal on a Non-Pioneer Status and was entitled to certain incentives that include, among others, an Income Tax Holiday (ITH) for four years from June 2011 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMEC, SPDC and SPPC

SMEC, SPDC and SPPC are registered with the BOI as administrator/operator of their respective power plant on a pioneer status with non-pioneer incentives and were granted ITH for four years without extension beginning August 1, 2010 up to July 31, 2014, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants.

SMCPC and SCPC

SMCPC and SCPC were granted incentives by the BOI on a pioneer status for six years subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investments Code of 1987, the rules and regulations of the BOI and the terms and conditions prescribed. As of December 31, 2015, SMCPC and SCPC have pending requests with the BOI to move the start of commercial operations. The ITH incentives shall be limited only to the revenues generated from the sale of the electricity from the power plants.

On September 3, 2013 and January 28, 2014, the BOI issued a Certificate of Authority to SMCPC and SCPC, respectively, subject to provisions and implementing rules and regulations of Executive Order No. 70, entitled “Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories imported by BOI Registered New and Expanding Enterprises”. Authority shall be valid for one year from the date of issuance. For the subsequent years, BOI issued new Certificates of Authority dated March 6 and September 4, 2014 and June 9 and August 26, 2015 to SMCPC and February 6, 2015 and February 11, 2016 to SCPC, with a validity of one year from the date of issuance.

b. SMPFC

Certain operations of consolidated subsidiaries of SMPFC are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these consolidated subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives.

GBGTC

GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC’s BOI registration and subject to certain requirements as provided in the Investments Code, GBGTC is entitled to incentives which include, among others, ITH for a period of four years from July 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMFI

SMFI’s (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Project) was registered with the BOI on a pioneer status as New Producer of Hogs on July 30, 2008 under Registration No. 2008-192. In accordance with the provisions of the Investments Code, the Sumilao Project was entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years.

SMFI’s six-year ITH for the Sumilao Project ended in January 31, 2015. As of reporting date, SMFI is completing the requirements to avail of the two-year ITH bonus year.

c. Petron

Benzene, Toluene and Propylene Recovery Units

On October 20, 2005, Petron registered with the BOI under the Investments Code as: (1) a pioneer, new export producer status of Benzene and Toluene; and (2) a pioneer, new domestic producer status of Propylene. Under the terms of its registration, Petron is subject to certain requirements principally that of exporting at least 50% of the combined production of Benzene and Toluene.

As a registered enterprise, Petron is entitled to the following benefits on its production of petroleum products used as petrochemical feedstock:

- a. ITH: (1) for six years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Benzene and Toluene; and (2) for six years from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Propylene.
- b. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming parts thereof for 10 years from start of commercial operations.
- c. Simplification of custom procedures.
- d. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to custom rules and regulations provided firm exports at least 50% of combined production of Benzene and Toluene.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten-year period from the date of registration.
- f. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.
- g. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 50% of combined production of Benzene and Toluene.
- h. Petron may qualify to import capital equipment, spare parts, and accessories at zero (1% for Propylene) duty from date of registration up to June 5, 2006 pursuant to Executive Order No. 313 and its implementing rules and regulations.

The BOI extended Petron's ITH incentive for its Propylene sales from December 2013 to November 2014 and for its Benzene and Toluene sales from May 2014 to April 2015.

Fluidized Bed Catalytic Cracker (PetroFCC) Unit

On December 20, 2005, the BOI approved Petron's application under RA 8479 for new investment in its Bataan Refinery for the PetroFCC. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from December 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to a rate of exemption computed based on the percentage share of product that are subject to retooling.
- b. Minimum duty of 3% and VAT on imported capital equipment and accompanying spare parts.
- c. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.

- d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten-year period from date of registration.
- f. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.
- g. Exemption from real property tax on production equipment or machinery.
- h. Exemption from contractor's tax.

PetroFCC entitlement period ended in February 2013 and registration with BOI was cancelled on July 4, 2013.

70 MW Coal-Fired Power Plant (Limap, Bataan)

On November 3, 2010, Petron registered with the BOI as new operator of a 70 MW Coal-Fired Power Plant on a pioneer status with non-pioneer incentives under the Investments Code. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for four years from July 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration, limited to the revenue generated from the electricity sold to the grid.
- b. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.
- c. Petron may qualify to import capital equipment, spare parts and accessories at 0% duty from date of registration up to June 16, 2011 pursuant to Executive Order No. 528 and its implementing rules and regulations.

The power plant started commercial operations on May 10, 2013 and Petron availed of ITH from May to September 2013.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2010-181 covering the 70 MW Coal-Fired Power Plant Project to SPI, the new owner of the said facility.

RMP-2 Project

On June 3, 2011, the BOI approved Petron's application under RA No. 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration is based on the formula of the ITH rate of exemption.
- b. Minimum duty of 3% and VAT on imported capital equipment and accompanying spare parts.

- c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.
- e. Exemption from real property tax on production equipment or machinery.
- f. Exemption from contractor's tax.

The RMP-2 Project commenced its commercial operation on January 1, 2016.

70 MW Solid Fuel-Fired Power Plant

On February 14, 2013, Petron registered with the BOI as an expanded operator of a 70 MW Solid Fuel-Fired Power Plant on a pioneer status under the Investments Code. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for three years from December 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid, other entities and/or communities.
- b. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of Executive Order No. 70 and its implementing rules and regulations for a period of five years reckoned from the date of registration or until the expiration of Executive Order No. 70, whichever is earlier.
- c. Importation of consigned equipment for a period of 10 years from the date of registration subject to the posting of re-export bond.

On March 4, 2014, the BOI approved the transfer of BOI Certificate of Registration No. 2013-047 covering the 70 MW Solid Fuel-Fired Power Plant Project to SPI, the new owner of the said plant.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

d. SMCSLC

SMCSLC is registered with the BOI for the operation of domestic cargo vessels and motor tankers with the following incentives:

- a. *Operation of Motor Tanker (Samho Snipe).* The project was registered on May 26, 2009, where SMCSLC is entitled to ITH for six years from July 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.

- b. *Operation of Two Brand New Double-Hulled Oil Tanker Vessels (SL Tanglad and SL Banaba).* The project was registered on December 23, 2009, where SMCSLC is entitled to ITH for six years from August 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- c. *Operation of Brand New Non-Propelled Barge (M/V Kalusugan 2).* The project was registered on July 22, 2010, where SMCSLC is entitled to ITH for six years from August 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- d. *Operation of Leased Oil Tanker Vessel (SL Maple).* The project was registered on September 16, 2010, where SMCSLC is entitled to ITH for six years from September 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- e. *Operation of Brand New Non-Propelled Barge (M/V Katarungan 2).* The project was registered on November 11, 2010, where SMCSLC is entitled to ITH for six years from November 2010 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- f. *Operation of Brand New Oil Tanker (SL Bignay).* The project was registered on August 13, 2010, where SMCSLC is entitled to ITH for six years from June 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- g. *Operation of Brand New Non-Propelled Barge (M/V Katapatan 2).* The project was registered on June 9, 2011, where SMCSLC is entitled to ITH for six years from July 2011 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% ITH incentives shall be limited only to the revenue generated by the registered project.
- h. *Operation of Double-Hulled Marine Tanker Vessel (MMM Ashton).* The project was registered on January 6, 2012, where SMCSLC is entitled to ITH for four years from January 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.
- i. *Operation of Brand New Domestic/Inter-Island Shipping Vessel (M/T SL Beluga).* The project was registered on February 20, 2013, where SMCSLC is entitled to ITH for six years from February 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.

- j. *Operation of New Domestic/Inter-Island Shipping Operator Vessel (M/V SL Venus 8).* The project was registered on February 27, 2014, where SMCSLC is entitled to ITH for four years from February 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration. The 100% incentives shall be limited only to the revenue generated by the registered project.

e. SLHBTC

In 2014, SLHBTC's registration with the BOI as an oil terminal for storage and bulk marketing of petroleum products was granted. With the registration, SLHBTC is entitled to the following incentives under the Downstream Oil Industry Deregulation Act (RA No. 8740, New Industry Participant with New Investment) from March 14, 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of the registration, and upon fulfillment of the terms enumerated below:

- a. ITH. SLHBTC is entitled to ITH for five years without extension from December 2013 or actual start of operations, whichever is earlier, but in no case earlier than the date of registration. Only income directly attributable to the revenue generated from the registered project (Storage, and Bulk Marketing of 35,000,000 liters of petroleum products covered by Import Entry Declaration or sourced locally from new industry participants) pertaining to the capacity of the registered storage terminal shall be qualified for the ITH.
- b. Additional Deduction from Taxable Income. SLHBTC shall be allowed an additional deduction from taxable income of 50% of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availment as against the previous year if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI and provided that this incentive shall not be availed of simultaneously with the ITH.
- c. Minimum Duty of 3% and VAT on Imported Capital Equipment. Importation of brand new capital equipment, machinery and accompanying spare parts, shall be entitled to this incentive subject to the following conditions:
 - they are not manufactured domestically in sufficient quantity of comparable quality and at reasonable prices;
 - the equipment is reasonably needed and will be exclusively used in the registered activity; and
 - prior BOI approval is obtained for the importation as endorsed by the DOE.
- d. Tax Credit on Domestic Capital Equipment. This shall be granted on locally fabricated capital equipment equivalent to the difference between the tariff rate and the 3% duty imposed on the imported counterpart.
- e. Importation of Consigned Equipment. SLHBTC is entitled for importation of consigned equipment for a period of five years from the date of registration subject to posting of the appropriate bond, provided that such consigned equipment shall be for the exclusive use of the registered activity.

- f. Exemption from Taxes and Duties on Imported Spare Parts for Consigned Equipment with Bonded Manufacturing Warehouse. SLHBTC is entitled to this exception upon compliance with the following requirements:
 - at least 70% of production is imported;
 - such spare parts and supplies are not locally available at reasonable prices, sufficient quantity and comparable quality; and
 - all such spare and supplies shall be used only on bonded manufacturing warehouse on the registered enterprise under such requirements as the Bureau of Customs may impose.
- g. Exemption from Real Property Tax on Production Equipment or Machinery. Equipment and machineries shall refer to those reasonably needed in the operations of the registered enterprise and will be used exclusively in its registered activity. BOI Certification to the appropriate Local Government Unit will be issued stating therein the fact of the applicant's registration with the BOI.
- h. Exemption from the Contractor's Tax. BOI certification to the BIR will be issued stating therein the fact of the applicant's registration with the BOI.
- i. Employment of Foreign Nationals. This may be allowed in supervisory, technical or advisory positions for five years from date of registration. The President, General Manager and Treasurer of foreign-owned registered enterprise or their equivalent shall not be subject to the foregoing limitations.

The incentives with no specific number of years of entitlement above may be enjoyed for a maximum period of 10 years from March 14, 2013 and/or actual start of commercial operations.

44. Event After the Reporting Date

On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series "2" Preferred Shares under shelf registration (the "Shelf Registered Shares") and the offering of up to 400,000,000 shares of Series "2" Preferred Shares (the "First Tranche") with a par value of P5.00 and an offer price of P75.00 per share. The SEC approved the shelf registration of the Shelf Registered Shares and issued a permit to sell covering the same on March 8, 2016.

The Parent Company offered the "First Tranche" of (i) up to 280,000,000 shares of Series "2" Preferred Shares consisting of Subseries "2-G", "2-H" and "2-I" and (ii) up to 120,000,000 shares of Series "2" Preferred Shares to cover the oversubscription option. The First Tranche will be re-issued and offered from the Series "2" Preferred Shares Subseries held in treasury. The offer period was from March 14 to March 18, 2016. The First Tranche was issued on March 30, 2016 which is also the listing date of the Shelf Registered Shares.

The remaining 575,571,800 Shelf Registered Shares will be issued within a period of three years. The offer shares shall be issued from the remaining Series "2" Preferred Shares Subseries "2-A" held in treasury and unissued shares of Series "2" Preferred Shares.

Dividend rates are 6.5793%, 6.3222%, 6.3355% per annum for Subseries “2-G”, “2-H” and “2-I”, respectively.

Following the completion of the Parent Company’s follow-on offering of 280,000,000 Series “2” Preferred Shares, with an oversubscription option of 120,000,000 Series “2” Preferred Shares, the Parent Company shall reissue the following Series “2” Preferred Shares held in treasury: (i) 244,432,686 Series “2” Preferred Shares; and (ii) 155,567,314 Subseries “2-A” Preferred Shares (collectively, the “Offer Shares”). The Series “2” Preferred Shares were Series “1” Preferred Shares held in treasury that were reclassified to Series “2” Preferred Shares on June 9, 2015.

After reissuance of the Offer Shares on March 30, 2016, the Parent Company shall have a remaining 565,445,086 Subseries “2-A” Preferred Shares held in treasury. There are no more Series “2” Preferred Shares held in treasury.

45. Other Matters

a. Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group.

- **Deficiency Excise Tax**

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the BIR for deficiency excise tax on “San Mig Light”, one of its beer products. The Parent Company contested the assessments before the Court of Tax Appeals (CTA) (1st Division) under CTA case numbers 7052 and 7053.

In relation to the aforesaid contested assessments, the Parent Company, on January 31, 2006, filed with the CTA (1st Division), under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, were subsequently consolidated and jointly tried.

On November 27, 2007, the Parent Company filed with the CTA (3rd Division), under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to the Parent Company, appealing to the Parent Company to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Dstraint 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 Dstraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company’s pending claims for refund.

As of December 31, 2015, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA (3rd Division), under CTA case number 7953, also in relation to the contested assessments. This case is still undergoing trial.

On January 7, 2011, the CTA (3rd Division) under CTA case number 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA *En Banc* and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Second Division of the Supreme Court a Petition for Review which was docketed as G.R. No. 205045. This case is now with the Third Division of the Court.

On October 18, 2011, the CTA (1st Division) rendered its joint decision in CTA case numbers 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against the Parent Company, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P781, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005.

A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision has been denied and the Commissioner elevated the decision to CTA *En Banc* for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA *En Banc* Decision was later elevated by the Office of the Solicitor General to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045. Both cases are now with the Third Division.

In a Resolution dated July 21, 2014, a copy of which was received by the Parent Company's counsel on August 27, 2014, the Third Division of the Supreme Court required the parties to submit memoranda. Both the Parent Company's counsel and the BIR Commissioner, through the Office of the Solicitor General, have filed their respective Memoranda. The two cases are deemed submitted for decision.

In the meantime, effective October 1, 2007, the Parent Company spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR.

On September 28, 2009, SMB filed a claim for refund with the CTA (3rd Division) under CTA case number 7973; on December 28, 2010, its second claim for refund with the CTA (1st Division) under case number 8209; on December 23, 2011, its third claim for refund with the CTA (3rd Division) under case number 8400; on July 30, 2012, its fourth claim for refund under case number 8591; and on December 19, 2013, its fifth claim for refund with the CTA (2nd Division) under case number 8748. CTA case numbers 7973, 8209, 8400, and 8591 have all been decided by the respective CTA Divisions, where they are pending, in favor of the Parent Company. The counsel for the BIR Commissioner are now in the process of appealing to the CTA *En Banc* the decisions rendered by the CTA Divisions in CTA case numbers 7973 and 8400. On the other hand, the decision in CTA case number 8209 has been declared final and executory by the CTA Division concerned for failure on the part of the BIR Commissioner to file a Motion for Reconsideration on the decision. In CTA case number 8591, the BIR Commissioner filed a Motion for Reconsideration, which we opposed and which has been denied. With respect to CTA Case number 8748, the same is still undergoing trial in the Second Division. In December 2014, SMB filed its sixth claim for refund with the CTA under case number 8955. The BIR has asked for additional time to file its Answer. In December 2015, SMB filed its seventh claim for refund with the CTA under case number 9223, for refund of overpayments for the period of January 1, 2014 to December 31, 2014. The said case is still undergoing trial.

- Deficiency Tax Liabilities

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the First Division. On August 14, 2015, the CTA partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA's First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. The petition is pending before the CTA *En Banc*.

On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA and the case was docketed as CTA Case No. 8813. The case has been submitted for decision.

- Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CTA in its Resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition is still pending as of December 31, 2015.

- Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 reclassifying the areas occupied by the oil terminals of Petron, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance No. 8027. In April 2003, Petron filed a petition with the Regional Trial Court (RTC) to annul Ordinance No. 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance No. 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance No. 8119), which applied to the entire City of Manila. Ordinance No. 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance No. 8119, which was thought to effectively repeal Ordinance No. 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance No. 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance No. 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, Petron also filed a petition before the RTC of Manila praying for the nullification of Ordinance No. 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, Petron, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance No. 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance No. 8027.

In May 2009, the Mayor of Manila approved Ordinance No. 8187, which amended Ordinance No. 8027 and Ordinance No. 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012 (August 24 Decision), the RTC of Manila ruled that Section 23 of Ordinance No. 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance No. 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance No. 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance No. 8119. Petron filed with the RTC a Notice of Appeal to the CTA on January 23, 2013. The parties have filed their respective briefs. As of December 31, 2015, the appeal remained pending.

With regard to Ordinance No. 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinder of its implementation. Petron filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision (November 25 Decision) declaring Ordinance No. 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. Petron, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implemented full relocation of their fuel storage facilities within six months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by Petron, the Supreme Court denied Shell's motion with finality and clarified that relocation and transfer necessarily included removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, Petron filed its submission in compliance with the November 25 Decision.

- Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTC and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292. The cases were pending as of December 31, 2015.

- Dispute between SPPC and PSALM

SPPC and PSALM are parties to the IPPA Agreement (the “Ilijan IPPA Agreement”) covering the appointment of SPPC as the independent power producer administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments, calculated based on its interpretation and the amount which has already been paid by the SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bonafide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the Performance Bond posted by SPPC pursuant the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City. In its Complaint, SPPC requested the Court that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour Temporary Restraining Order (the “TRO”) be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the Performance Bond. On even date, the Court issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the status quo ante between the parties before PSALM issued the termination notice and drew on the Performance Bond. The TRO was extended for until September 28, 2015.

On September 28, 2015, the Court issued an Order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 22, 2015, the Court also issued an Order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco. Currently pending for resolution of the Court are: 1) PSALM’s Motion for Reconsideration of the Order granting the Preliminary Injunction; and 2) PSALM’s Motion to Dismiss. The preliminary conference among the parties scheduled on February 18, 2016 was reset to April 14, 2016.

Meanwhile, there are no restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its Power Supply Agreement with the latter.

By virtue of the Preliminary Injunction issued by the Court, SPPC continues to be the IPPA for the Ilijan Power Plant.

b. Master Year Limited (MYL)

On September 30, 2013, Privado Holdings, Corp. (Privado) acquired 368,140,516 common shares of the Parent Company from MYL. The acquisition was transacted thru the PSE at P75.00 per share.

On February 14, 2014, Privado acquired 50,000 common shares of stock of the Parent Company at the PSE at P58.00 per share.

c. Commitments

The outstanding purchase commitments of the Group amounted to P88,827 as of December 31, 2015.

Amount authorized but not yet disbursed for capital projects is approximately P87,610 as of December 31, 2015.

d. Foreign Exchange Rates

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P47.06 and P44.72 in 2015 and 2014, respectively, for consolidated statements of financial position accounts; and average rates of P45.50, P44.39 and P42.43 in 2015, 2014 and 2013, respectively, for income and expense accounts.

e. Temporary Restraining Order (TRO) Issued to Meralco

On December 23, 2013, the Supreme Court issued a TRO, effective immediately, preventing Meralco from collecting from its customers the power rate increase pertaining to November 2013 billing. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators, including SMEC and SPPC, is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. Further, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price will be effective for 90 days until a new cap is decided upon.

On January 16, 2014, the Supreme Court granted Meralco's plea to include other power supplier and generation companies, including SMEC and SPPC, as respondents to an inquiry. On February 18, 2014, the Supreme Court extended the period of the TRO until April 22, 2014 and enjoined the respondents (PEMC and the generators) from demanding and collecting the deferred amounts.

On March 3, 2014, the ERC issued an order declaring the November and December 2013 Luzon WESM prices void and imposed the application of regulated prices. Accordingly, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment. The settlement of which shall be covered by a 24-month Special Payment Arrangement agreed with PEMC which took effect in June 2014 up to May 2016. On June 26, 2014, SMEC, SPPC and SPDC filed with the Court of Appeals a Petition for Review of these orders. The case is still pending resolution with the Court as of December 31, 2015.

f. Electric Power Industry Reform Act of 2001

R.A No. 9136, otherwise known as the EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements.

The EPIRA requires generation and distribution utility (DU) companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity.

- g.* Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.



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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

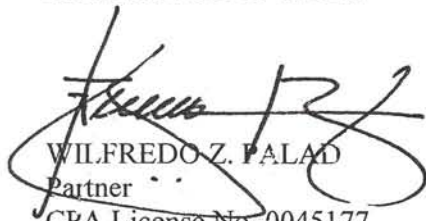
We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of San Miguel Corporation (the "Company") and Subsidiaries (the "Group") as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, and have issued our report thereon dated March 17, 2016.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Company taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Company's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations
- Financial Ratios
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner

CPA License No. 0045177

SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018

Tax Identification No. 106-197-186

BIR Accreditation No. 08-001987-6-2013

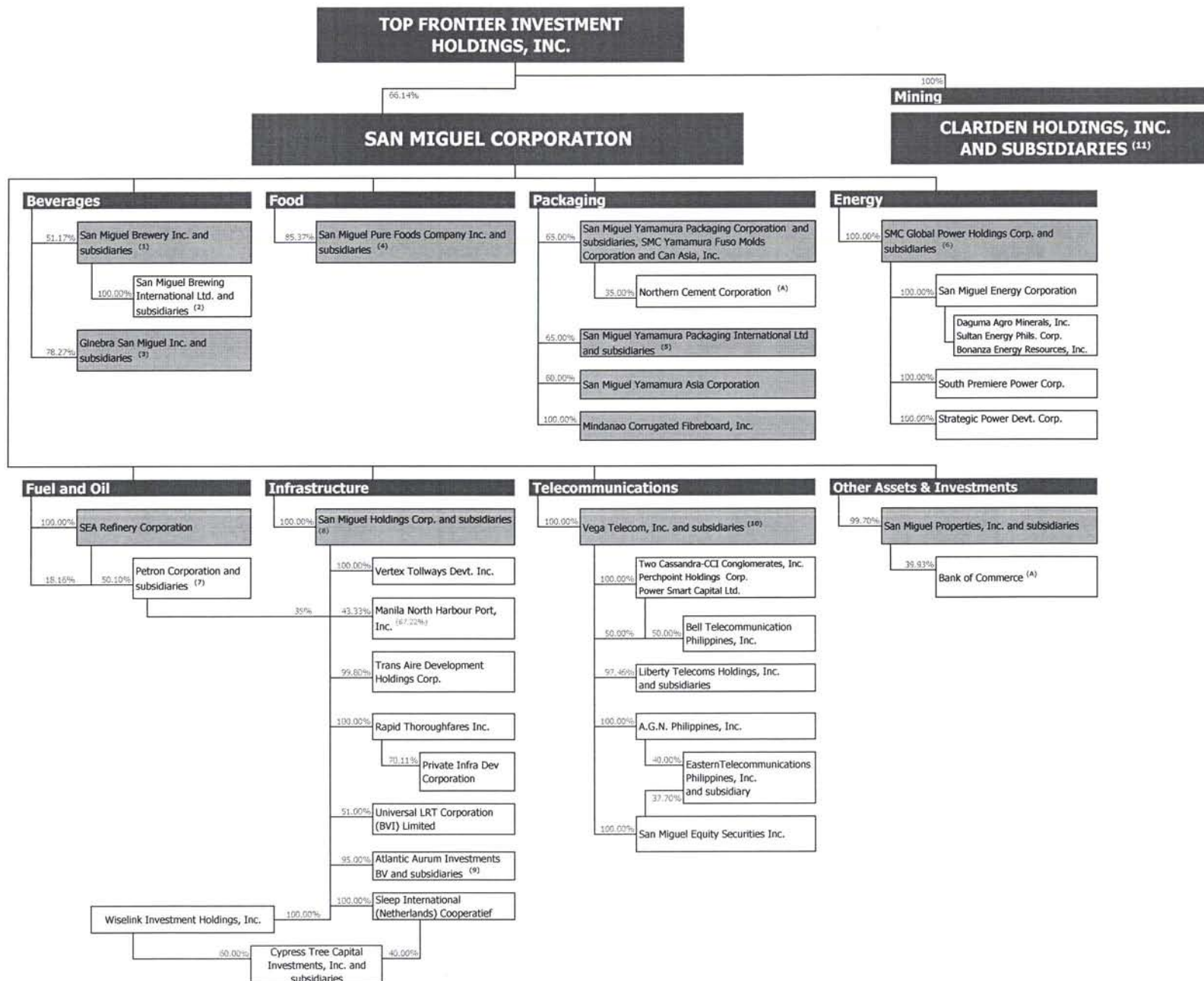
Issued May 9, 2013; valid until May 8, 2016

PTR No. 5321509MD

Issued January 4, 2016 at Makati City

March 17, 2016
Makati City, Metro Manila

SAN MIGUEL CORPORATION GROUP STRUCTURE *



* The group structure includes the parent company, Top Frontier Investment Holdings, Inc., its co-subsidiary, Clariden Holdings, Inc. and its subsidiaries and San Miguel Corporation's major subsidiaries and associates.

Note:

(A) Associate

I. Subsidiaries

1. San Miguel Brewery Inc. subsidiaries also include Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary
2. San Miguel Brewing International Ltd. subsidiaries include San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Jakarta Tbk and subsidiary, San Miguel (Baoding) Brewery Company Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited
3. Ginebra San Miguel Inc. subsidiaries include Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc., Ginebra San Miguel International Ltd., GSM International Holdings Limited, Global Beverage Holdings Ltd. and Siam Holdings Ltd.
4. San Miguel Pure Foods Company Inc. subsidiaries include San Miguel Foods, Inc., San Miguel Mills, Inc. and subsidiaries, The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries, San Miguel Super Coffeemix Co., Inc., PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited and subsidiaries (including San Miguel Pure Foods Investment (BVI) Limited and subsidiary and San Miguel Pure Foods (Vn) Co., Ltd. formerly San Miguel Hormel (Vn) Co., Ltd.)
5. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Yamamura Phu Tho Packaging Company Limited, Zhaoqing San Miguel Yamamura Glass Co., Ltd., Foshan San Miguel Yamamura Packaging Company Limited, San Miguel Yamamura Packaging & Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd., San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries and San Miguel Yamamura Glass (Vietnam) Limited and subsidiary
6. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc. and subsidiary, SMC Power Generation Corp., PowerOne Ventures Energy Inc., Albay Power and Energy Corp., SMC Consolidated Power Corporation and San Miguel Consolidated Power Corporation
7. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation, Petron Singapore Trading Pte., Ltd., New Ventures Realty Corporation and subsidiaries, Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. and subsidiaries including Petron Fuel International Sdn. Bhd., Petron Oil (M) Sdn. Bhd. and Petron Malaysia Refining & Marketing Berhad (collectively Petron Malaysia), Petron Finance (Labuan) Limited, Limay Energen Corporation and Petrochemical Asia (HK) Limited and subsidiaries
8. San Miguel Holdings Corp. subsidiaries include Optimal Infrastructure Development, Inc., Terramino Holdings, Inc. and subsidiary and Alloy Manila Toll Expressways Inc.
9. Atlantic Aurum Investments B.V. subsidiaries include Stage 3 Connector Tollways Holding Corp. and subsidiary, Citra Central Expressway Corp., Atlantic Aurum Investments Philippines Corporation and subsidiary, Citra Metro Manila Tollways Corporation and subsidiary, Skyway O&M Corp., MTD Manila Expressways Inc. and subsidiaries, Manila Toll Expressway Systems Inc. and South Luzon Tollway Corporation
10. Vega Telecom Inc. subsidiaries also include CobaltPoint Telecom, Inc. (formerly Express Telecommunications Company, Inc.) and Trans Digital Excel Inc.

II. Co-Subsidiary

11. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., Prima Lumina Gold Mining Corp., Excelon Asia Holding Corporation, New Manila Properties Inc. and Philnico Holdings, Ltd. and subsidiaries including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation and Philnico Processing Corp. (collectively the Philnico Group)



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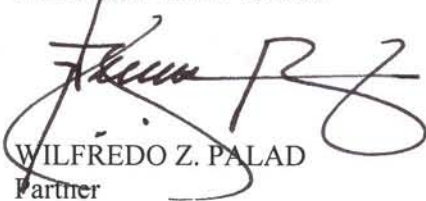
**REPORT OF INDEPENDENT AUDITORS
ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders
San Miguel Corporation
No. 40 San Miguel Avenue
Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of San Miguel Corporation (the "Company"), which comprise the separate statements of financial position as at December 31, 2015 and 2014, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and have issued our report thereon dated March 17, 2016.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such information has been subjected to the auditing procedures applied in the audits of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

R.G. MANABAT & CO.



WILFREDO Z. PALAD
Partner

CPA License No. 0045177

SEC Accreditation No. 0027-AR-4, Group A, valid until August 24, 2018

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Issued January 4, 2016 at Makati City

March 17, 2016
Makati City, Metro Manila

SAN MIGUEL CORPORATION
No. 40 San Miguel Avenue, Mandaluyong City
RECONCILIATION OF RETAINED EARNINGS
FOR DIVIDEND DECLARATION
(In millions)

Unappropriated Retained Earnings, January 1, 2015	P150,563
Adjustments:	
<i>(see adjustments in previous year's reconciliation)</i>	(70,034)
Unappropriated Retained Earnings, as adjusted, January 1, 2015	80,529
Add: Net income actually earned/realized during the period	
Net income during the period closed to Retained Earnings	6,209
Deferred tax asset	(1,665)
Net income actually earned during the period	4,544
	85,073
Add (Less):	
Dividend declarations during the period	(8,325)
Reclassification to unappropriated retained earnings	3,310
TOTAL RETAINED EARNINGS AVAILABLE FOR	
DIVIDEND DECLARATION, DECEMBER 31, 2015	P80,058

SAN MIGUEL CORPORATION AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
PFRS 2	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'	✓		
PFRS 3 (Revised)	Business Combinations	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements	✓		
PFRS 4	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal*			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources	✓		
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures*			
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts*			
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements*			
PFRS 8	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
PFRS 9	Financial Instruments*			
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39*			
PFRS 9 (2014)	Financial Instruments*			
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception*			
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception*			
PFRS 13	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception	✓		
PFRS 14	Regulatory Deferral Accounts*			
PFRS 16	Leases*			
IFRS 15	Revenue from Contracts with Customers*			
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative*			
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)*			
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants*			
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone*			
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements *			
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*			
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception*			
PAS 29	Financial Reporting in Hyperinflationary Economies			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 32	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"*			
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*			
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)	✓		
PAS 41	Agriculture	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants*			
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Concession Arrangements	✓		
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	✓		
IFRIC 17	Distributions of Non-cash Assets to Owners	✓		
IFRIC 18	Transfers of Assets from Customers	✓		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	✓		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	✓		
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-15	Operating Leases - Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures.	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts	✓		
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
PIC Q&A 2007-01 - Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✓
PIC Q&A 2008-01 - Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	✓		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✓		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations	✓		
PIC Q&A 2011-03	Accounting for Inter-company Loans	✓		
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	✓		
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?	✓		
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building	✓		
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013	✓		
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		

*These standards or amendments will become effective subsequent to December 31, 2015. The Group will adopt these new and amended standards on the respective effective dates.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
FINANCIAL SOUNDNESS INDICATORS

The following are the major performance measures that San Miguel Corporation and Subsidiaries (the Group) uses. Analyses are employed by comparisons and measurements based on the financial data as of December 31, 2015 and 2014 for liquidity, solvency and profitability ratios and for the periods ending December 31, 2015 and 2014 for operating efficiency ratios.

	December 31	
	2015	2014
Liquidity:		
Current Ratio	1.32	1.50
Solvency:		
Debt to Equity Ratio	2.24	2.12
Asset to Equity Ratio	3.24	3.12
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	5.20%	6.33%
Interest Rate Coverage Ratio	3.35	2.98
Operating Efficiency:		
Volume Growth	10%	3%
Revenue Growth	(13%)	4%
Operating Margin	11.68%	7.21%

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

SAN MIGUEL CORPORATION AND SUBSIDIARIES

**INDEX TO FINANCIAL STATEMENTS AND
SUPPLEMENTARY SCHEDULES
DECEMBER 31, 2015**

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE/PAYABLE FROM RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS - OTHER ASSETS	
E	- LONG-TERM DEBT	
F	- INDEBTEDNESS TO RELATED PARTIES	NOT APPLICABLE*
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
H	- CAPITAL STOCK	

* Balance of account is less than 5% of total assets of the Group

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2015
(Amounts in Millions, except No. of Shares Data)

Name of Issuing Entity / Description of Each Issue	Number of shares or Principal Amount of Bonds and Notes	Amount Shown in the Statements of Financial Position	Value Based on Market Quotations at Dec. 31, 2015	Income Received and Accrued
Cash and cash equivalents	-	₱ 180,758	Not applicable	₱ 3,494
Trade and other receivables - net	-	100,727	Not applicable	638
Derivative assets	-	391	Not applicable	3,971 *
Financial assets at FVPL	-	147	Not applicable	11
Available for sale financial assets**	-	41,616	₱ 41,616	166
Noncurrent receivables and deposits - net	-	9,389	Not applicable	138
Restricted cash	-	5,661	Not applicable	33
		₱ <u>338,689</u>	₱ <u>41,616</u>	₱ <u>8,451</u>

* This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.

** The number of shares or principal amounts of bonds and notes are presented in ATTACHMENT TO SCHEDULE A - AVAILABLE - FOR - SALE FINANCIAL ASSETS.

See Notes 41 and 42 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
ATTACHMENT TO SCHEDULE A - AVAILABLE FOR SALE FINANCIAL ASSETS
DECEMBER 31, 2015
(Amounts in Millions, Except No. of Shares Data)

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2015 (a)
San Miguel Corporation		
Alabang Country Club	7 P	19
Ansor International	3,334	-
Apo Golf & Country Club	3	-
Baguio Country Club	1	1
Bancom Group Inc	999,546	-
Calatagan Golf Club	1	-
Camp John Hay	2	1
Canlubang Golf Club	3	3
Capitol Hills Golf & Country Club	1	-
Carmen Red Ltd.	-	5,139
Casino Espanol de Manila	2	-
Cebu Country Club	1	5
Celebrity Sports Plaza	3	-
Club Filipino	8	1
Continental Potash	7,909	-
Evercrest Golf & Country Club	2	-
Export & Industry Bank	940,560,000	-
Green Valley Club - Baguio	1	-
Greenfield Tennis Club	3	-
Iloilo Golf Club	1	-
Inter island Broadcasting Corp	4,458,928	-
Landgolf Inc	2	-
Makati Executive Center	1	-
Makati Sports Club	11	4
Manila Bankers Life	250,000	1
Manila Electric Company	100,331	1
Manila Golf & Country Club	3	74
Manila Polo Club	2	24
Manila Southwoods Golf & Country Club	1	2
Medical Doctors Inc.	83,379	136
Merchant Investment	41,660	-
Metropolitan Club	2	-
Metropolitan Theater	198	-
Mimosa Golf & Country Club	3	2
Montserrat Trading	1,000	-
Motor Services	52,500	-
Naga Telephone Co.	220	-
Negros Occidental Golf Club	6	-
Norcem Philippines	80,000	-
Orchard Golf & Country Club	5	1
Pacific Club Corporate	1	-
Pantranco South Express	340,992	-
People's Press	1,500	-
Phil. Columbian Club	3	-
Phil. Dealing Sytem Holding Corp.	250,000	25
Phil. International Fair	500	-
Phil. Long Distance Telephone Company	230,594	2
Phil. Overseas Resources	10,000	-
Pilipino Telephone	600	-
Professional Services Inc	11,250	-
Puerto Azul Golf and Country Club	3	-
Quezon City Sports Club	1	-
Sta. Elena Properties	7	5
Sta. Elena Golf & Country Club	1	3
Sta. Lucia Realty Golf Club	2	1
Subic Bay Yacht Club	1	-
Tagaytay Highland Golf and Country Club	2	1
Tagaytay Midlands Country Club	1	-
The Country Club - Canlubang	2	-
Top Frontier Investment Holdings, Inc. - Common	2,561,031	173
Top Frontier Investment Holdings, Inc. - Preferred	1,904,540	35,424
Universal Leisure Club	1	-
Valle Verde Golf Club	53	20
Valley Golf Club Inc.	2	3
Victorias Country Club	1	-

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2015 (a)
Petron Corporation		
Government Security	- P	71
Megaworld Bond	-	169
Aboitiz Power Bonds	-	29
Aboitiz Equity Ventures, Inc.	-	38
Ayala Bond	-	45
SM Investments Corporation Bond	-	53
PSALM	-	53
San Miguel International Limited		
Others	-	16
San Miguel Brewery Inc.		
Royal Orchid International Golf Club	1	2
Guangzhou Luhua Golf Club	1	-
HSBC Holdings	20,400	8
Pacific Club Kowloon	2	6
Hongkong Arts Centre Ltd.	1	-
The American Club Hong Kong	1	8
Hong Kong Football Club	1	6
Discovery Bay Golf Club	1	8
San Miguel Properties, Inc.		
Apo Golf & Country Club	1	1
Mimosa Golf & Country Club	4	2
Sta. Elena Golf & Country Club	1	3
Metro Club	1	-
Philippine Long Distance Telephone Company	41,850	1
Manila Electric Company	148,976	2
Italia Country Club	89	-
Riviera Golf Course and Country Club	1	3
Tagaytay Midlands Country Club	1	-
Pacific Central Properties, Inc.		
Corporate Investment Phils Inc	200,000	-
Herald Publications	410	-
San Miguel Paper Packaging Corp.		
Philippine Long Distance Telephone Company	5,200	-
Evercrest Golf & Country Club	1	-
Orchard Golf & Country Club	1	1
Apo Golf & Country Club	1	-
Anchor Insurance Brokerage Corporation		
Philippine Long Distance Telephone Company	50	-
Export & Industry Bank	766,000	-
San Miguel Yamamura Asia Corporation		
Manila Southwoods Golf & Country Club	1	-
Orchard Golf and Country Club	1	1
Evercrest Golf & Country Club	1	-
San Miguel Yamamura Packaging Corporation		
Canlubang Golf & Country Club	1	1
Manila Southwoods Golf and Country Club	1	2
Orchard Golf & Country Club	1	1
Puerto Azul Golf and Country Club	1	-
Manila Southwoods Golf and Country Club	1	-
Orchard Golf and Country Club	1	-
Philippine Long Distance Telephone Company	1,800	-
Riviera Golf Course and Country Club	1	-

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotation at December 31, 2015 (a)
San Miguel Purefoods Company, Inc.		
Club Filipino	1 P	-
Makati Sports Club, Inc.	1	1
Philippine Long Distance Telephone Company	325	-
Valle Verde Country Club	1	-
Capitol Hills Golf and Country Club, Inc.	1	-
Alabang Country Club	1	3
Golf Club Bogor Raya	1	-
Manila Southwoods Golf & Country Club	1	1
Sta. Elena Golf & Country Club	1	3
Manila Electric Company	73,894	1
Tagaytay Highland Golf and Country Club	1	-
Club Filipino	1	-
Pilipino Telephone Corporation	11,100	-
Royal Tagaytay Country Club	1	-
Orchard Golf and Country Club	1	-
Philippine Long Distance Telephone Company	3,928	1
Makati Sports Club, Inc.	1	1
Vega Telecom Holdings, Inc.		
Makati Sports Club, Inc.	2	1
Manila Electric Company	2,831	-
Other Telecom Companies	1,022,888	3
Total Available - for - Sale Financial Assets	P	41,616

(a) If the principal amount of bonds and notes and value based on market quotation of investments is less than P500,000, the amount will show zero.

See Notes 4, 12, 14, 41 and 42 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Sea Refinery Corporation	P 33,198 P	- P	(234) P	- P	32,964 P	32,964 P	- P	32,964
San Miguel Holdings Corp. and Subsidiaries	16,109	7,209	(450)	-	22,868	16,176	6,692	22,868
San Miguel Corporation	12,960	2,366	(494)	-	14,832	14,832	-	14,832
Vega Telecom Inc. and Subsidiaries	24,794	9,128	(22,063)	-	11,859	3,940	7,919	11,859
San Miguel International Limited and Subsidiaries	5,072	274	(48)	-	5,298	5,298	-	5,298
San Miguel Properties, Inc. and Subsidiaries	2,318	804	(109)	-	3,013	2,798	215	3,013
San Miguel Brewery Inc. and Subsidiaries	1,256	6,119	(5,459)	-	1,916	1,916	-	1,916
Petron Corporation and Subsidiaries	1,135	16,367	(15,785)	-	1,717	1,696	21	1,717
San Miguel Yamamura Packaging Corp. and Subsidiaries	1,185	2,548	(2,516)	-	1,217	1,217	-	1,217
San Miguel Pure Foods Company, Inc. and Subsidiaries	1,024	5,931	(5,750)	-	1,205	1,205	-	1,205
Challenger Aero Air Corporation	2,052	1,373	(2,740)	-	685	685	-	685
San Miguel Beverages, Inc.	656	-	-	-	656	656	-	656
San Miguel Yamamura Asia Corporation	349	1,695	(1,411)	-	633	633	-	633
Ginebra San Miguel, Inc. and Subsidiaries	743	4,116	(4,236)	-	623	623	-	623
Advantage Properties Corporation	546	-	-	-	546	546	-	546
SMC Global Power Holdings Corp. and Subsidiaries	656	4,207	(4,398)	-	465	449	16	465
San Miguel Paper Packaging Corp.	430	2	-	-	432	12	420	432
San Miguel Campo Carne Corporation	398	-	-	-	398	398	-	398
Pacific Central Properties, Inc.	223	-	(3)	-	220	220	-	220
Others	1,925	2,278	(1,638)	-	2,565	2,394	171	2,565
	P 107,029 P	P 64,417 P	P (67,334) P	P - P	P 104,112 P	P 88,658 P	P 15,454 P	P 104,112

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2015
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE	ADDITIONS/ CTA/RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Corporation	P 83,039	P 13,766	P (20,771)	-	P 76,034	P 60,874	P 15,160	P 76,034
San Miguel International Limited and Subsidiaries	12,570	733	(37)	-	13,266	13,266	-	13,266
San Miguel Holdings Corp. and Subsidiaries	4,789	2,165	(388)	-	6,566	6,350	216	6,566
SMC Shipping and Lighterage Corporation and Subsidiaries	757	16,553	(15,478)	-	1,832	1,832	-	1,832
SMC Global Power Holdings Corp. and Subsidiaries	1,125	10,233	(9,674)	-	1,684	1,684	-	1,684
Petron Corporation and Subsidiaries	1,033	4,572	(4,583)	-	1,022	1,022	-	1,022
San Miguel Yamamura Packaging Corp. and Subsidiaries	997	5,316	(5,292)	-	1,021	959	62	1,021
San Miguel Yamamura Asia Corporation	501	2,080	(2,006)	-	575	568	7	575
SMITS, Inc. and a Subsidiary	364	1,483	(1,315)	-	532	517	15	532
Archen Technologies, Inc.	315	1,208	(1,189)	-	334	334	-	334
San Miguel Pure Foods Company, Inc. and Subsidiaries	134	115	(85)	-	164	163	1	164
San Miguel Properties, Inc. and Subsidiaries	218	598	(659)	-	157	157	-	157
Ginebra San Miguel, Inc. and Subsidiaries	256	155	(254)	-	157	157	-	157
San Miguel Brewery Inc. and Subsidiaries	149	569	(605)	-	113	110	3	113
Others	782	1,206	(1,333)	-	655	654	1	655
	<u>P 107,029</u>	<u>P 60,755</u>	<u>P (63,669)</u>	<u>-</u>	<u>P 104,112</u>	<u>P 88,647</u>	<u>P 15,465</u>	<u>P 104,112</u>

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2015
(Amounts in Millions)

Part A - Goodwill and Other Intangible Assets

Description	Beginning Balance	Additions/ Acquisition of Subsidiaries	Disposal / Reclassified to other Accounts	Charged to Costs and Expenses	Currency Translation Adjustment	Ending Balance
Goodwill	P 41,211	P 18,918	P -	P (100)	P (1,426)	P 58,603
Trademarks and Other Intangibles						
Cost:						
Trademarks and brand names	P 437	P 446	P -	P -	P 12	P 895
Licenses	7,251	18,490	(31)	-	(69)	25,641
Toll road concession rights	31,892	81,616	9	-	1,799	115,316
Port concession rights	-	10,974	-	-	-	10,974
Airport concession rights	2,319	1,056	-	-	-	3,375
Mining rights	1,885	-	-	-	-	1,885
Leasehold and land use rights	1,493	-	2	-	14	1,509
Power concession right	496	47	-	-	-	543
Other Intangibles	2,320	417	70	-	(84)	2,723
	<u>P 48,093</u>	<u>P 113,046</u>	<u>P 50</u>	<u>P -</u>	<u>P 1,672</u>	<u>P 162,861</u>
Accumulated Amortization and Impairment Losses:						
Trademarks and brand names	P 194	P -	P -	P 14	P 11	P 219
Licenses	135	-	(15)	12	-	132
Toll road concession rights	594	15,994	-	2,556	259	19,403
Port concession rights	-	535	-	28	-	563
Airport concession rights	37	-	-	41	-	78
Leasehold and land use rights	523	-	-	32	2	557
Power concession right	15	-	-	21	-	36
Other Intangibles	1,481	-	190	284	(51)	1,904
	<u>P 2,979</u>	<u>P 16,529</u>	<u>P 175</u>	<u>P 2,988</u>	<u>P 221</u>	<u>P 22,892</u>
Net Book Value:	<u>P 45,114</u>	<u>P 96,517</u>	<u>P (125)</u>	<u>P (2,988)</u>	<u>P 1,451</u>	<u>P 139,969</u>

See Notes 4, 5, 18 and 39 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS
DECEMBER 31, 2015
(Amounts in Millions)

Part B - Other Noncurrent Assets

Description		Beginning Balance		Additions / Acquisition of Subsidiaries		Charged to Cost and Expenses		Other Changes/ Reclassifications/ (Disposal)		Currency Translation Adjustment		Ending Balance
Noncurrent receivables and deposits	P	14,967	P	706	P	(114)	P	(6,161)	P	(9)	P	9,389
Deferred containers expense - net of accumulated amortization		6,916		2,350		(1,385)		(848)		(19)		7,014
Advances to contractors and suppliers		-		-		-		3,939		-		3,939
Retirement assets		3,830		-		-		(655)		-		3,175
Noncurrent prepaid rent		2,989		32		(189)		(188)		(416)		2,228
Deposits on land for future development		1,433		113		-		-		-		1,546
Others - net		6,879		1,583		(1,233)		1,189		(61)		8,357
	P	<u>37,014</u>	P	<u>4,784</u>	P	<u>(2,921)</u>	P	<u>(2,724)</u>	P	<u>(505)</u>	P	<u>35,648</u>

See Notes 4, 5, 19, 34, 35, 36, 40, 41 and 42 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
Parent Company								
<u>Foreign currency - denominated:</u>								
Floating	Standard Chartered Bank	-	69,837	69,837	LIBOR + margin	Bullet	1/3/6 months	July-15
Floating	Maybank International Labuan Branch	-	7,912	7,912	LIBOR + margin	Bullet	1/3/6 months	October-18
		-	77,749	77,749				
	Australia and New Zealand Banking Group Limited	-	13,210	13,210	LIBOR + margin	Bullet	1/3/6 months	September-20
Fixed	DB Trustees (Hong Kong) Limited	-	24,044	24,044	4.875%	Bullet	Semi-annual	April-23
		-	115,003	115,003				
Subsidiaries								
<u>Peso denominated:</u>								
<u>SM Brewery</u>								
Fixed	Philippine Depository & Trust Corp.	-	2,992	2,992	6.05%	Bullet	Semi-annual	April-17
Fixed	Philippine Depository & Trust Corp.	-	9,947	9,947	5.930%	Bullet	Semi-annual	April-19
Fixed	Philippine Depository & Trust Corp.	-	6,950	6,950	6.60%	Bullet	Semi-annual	April-22
		-	19,889	19,889				
<u>SM Brewery</u>								
Fixed	Philippine Depository & Trust Corp.	-	12,365	12,365	5.500%	Bullet	Semi-annual	April-21
Fixed	Philippine Depository & Trust Corp.	-	2,516	2,516	6.00%	Bullet	Semi-annual	April-24
		-	14,881	14,881				
<u>SLTC</u>								
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	-	2,317	2,317	4.9925%	Bullet	Quarterly	May-20
	BDO Unibank Inc. - Trust and Investment Group as Trustee		2,400	2,400	5.5796%	Bullet	Quarterly	May-22
	BDO Unibank Inc. - Trust and Investment Group as Trustee		2,500	2,500	6.4872%	Bullet	Quarterly	May-25
		-	7,217	7,217				
<u>SM Brewery</u>								
Fixed	Philippine Depository & Trust Corp.	-	2,796	2,796	10.50%	Bullet	Semi-annual	April-19
<u>SMC Global</u>								
Fixed	DB Trustees (Hongkong) Limited	13,952	-	13,952	7.00%	Bullet	Semi-annual	January-16
<u>SMPFC</u>								
Fixed	Standard Chartered Bank	65	-	65	12.45% , 12.85% and 13.27%	Bullet	Quarterly	December-16
<u>Petron</u>								
Fixed	Deutsche Bank AG, Hongkong Branch	-	19,926	19,926	7.00%	Bullet	Semi-annual	November-17
<u>PIDC</u>								
Fixed	Banco De Oro Unibank, Inc. as Trustee	727	14,097	14,824	PDST-F + margin	Amortized	Quarterly	September-21
<u>SPI</u>								
Fixed	Philippine National Bank as Trustee	1,534	10,522	12,056	6.9291% and 6.0606%	Amortized	Quarterly	September-23
<u>AAIPC</u>								
Fixed	Philippine National Bank as Trustee	947	8,216	9,163	6.52%	Amortized	Semi-annual	September-21
<u>MTDME</u>								
Fixed	Standard Chartered Bank, Philippines Branch as Security Agent	254	8,422	8,676	8.74899%	Amortized	Semi-annual	March-22
<u>CCEC</u>								
Fixed	BDO Unibank Inc. - Trust and Investment Group as Trustee	-	8,579	8,579	6.9343%, 6.9983% and 7.5573%	Amortized	Quarterly	August-27
<u>VERTEX</u>								
Fixed	Philippine National Bank as Trustee	-	6,321	6,321	6.81768%, 6.8385% and 7.2374%	Amortized	Quarterly	February-25
<u>Petron</u>								
Fixed	UnionBank of the Philippines	-	4,976	4,976	5.4583% + GRT	Amortized (beginning January 2018)	Quarterly	October-22

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE E - LONG-TERM DEBT
DECEMBER 31, 2015
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Amount Shown as Current	Amount Shown as Noncurrent	Outstanding Balance	INTEREST RATES	Number of Periodic Installments	Interest Payments	Final Maturity
<u>Petron</u>								
Fixed	Rizal Commercial Banking Corporation	32	3,401	3,433	6.3212% and 7.1827%	Amortized	Semi-annual	October-18 and October-21
<u>SIDC</u>								
Fixed	Philippine National Bank as Trustee	342	3,042	3,384	6.6583%	Amortized	Quarterly	July-23
<u>MNHPI</u>								
Fixed	Land Bank of th Philippines - Trust Banking Group as Trustee	600	1,650	2,250	5.65%	Amortized	Quarterly	May-19
<u>SMCSLC</u>								
Fixed	Security Bank Corporation	1,250	-	1,250	6.175%	Bullet	Quarterly	May-16
Fixed	Security Bank Corporation	250	-	250	6.145%	Bullet	Quarterly	May-16
		1,500	-	1,500				
<u>SMYPC</u>								
Floating	Bank of Commerce	872	2,371	3,243	PDST-F + margin or BSP overnight rate plus margin, whichever is higher	Amortized	Quarterly	October-19
<u>TADHC</u>								
Floating	Bank of Commerce	54	3,123	3,177	PDST-F + margin	Amortized	Quarterly	October-22
<u>SMYPC</u>								
Floating	Bank of Commerce	50	299	349	PDST-F + margin	Amortized	Quarterly	April-21
<u>EPSBPI</u>								
Floating	Development Bank of the Philippines	114	229	343	PDST-F + margin or BSP overnight rate plus margin, whichever is higher	Amortized	Quarterly	September-18
<u>SMC Global</u>								
Floating	Standard Chartered Bank (Hongkong) Limited	-	32,439	32,439	LIBOR + margin	Bullet	Quarterly	September-18
<u>Petron</u>								
Floating	Standard Chartered Bank (Hong Kong)	-	25,177	25,177	LIBOR + margin	Amortized	Every 1, 3 or 6 months	July-20
<u>AAIBV</u>								
Floating	Standard Chartered Bank	15,850	-	15,850	LIBOR + margin	Bullet	Every 1, 3 or 6 months	September-16
<u>Petron</u>								
Floating	Standard Chartered Bank (Hong Kong) Limited	33	15,606	15,639	LIBOR + margin	Amortized	Every 1, 3 or 6 months	May-19
<u>Petron</u>								
Floating	Malayan Banking Berhad	222	1,412	1,634	COF + margin	Amortized	Quarterly	July-19
Floating	CIMB Bank	406	1,229	1,635	COF + margin	Amortized	Quarterly	March-19
		628	2,641	3,269				
		37,554	215,820	253,374				
Total Long-term Debt		P 37,554	P 330,823	P 368,377				

See Notes 5, 22, 31, 34, 41 and 42 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
SCHEDULE H - CAPITAL STOCK
December 31, 2015

DESCRIPTION	NUMBER OF SHARES AUTHORIZED	NUMBER OF SHARES ISSUED	TREASURY SHARES	NUMBER OF SHARES OUTSTANDING	NUMBER OF SHARES RESERVED FOR OPTIONS *	NUMBER OF SHARES HELD BY: AFFILIATES	DIRECTORS, OFFICERS AND EMPLOYEES
ISSUED SHARES							
COMMON STOCK	3,790,000,000	3,283,277,515	904,752,537	2,378,524,978	134,641,564	16,395	12,480,975
SERIES "1" PREFERRED SHARES	300,000,000	279,406,667	-	279,406,667	-	-	
SERIES "2" PREFERRED SHARES	1,910,000,000	1,758,099,686	965,445,086	792,654,600		26,435,700	1,071,800
	<u>6,000,000,000</u>	<u>5,320,783,868</u>	<u>1,870,197,623</u>	<u>3,450,586,245</u>	<u>134,641,564</u>	<u>26,452,095</u>	<u>13,552,775</u>

* See Notes 25, 37, 38 and 40 of the Consolidated Financial Statements.

SAN MIGUEL CORPORATION AND SUBSIDIARIES
TRADE AND OTHER RECEIVABLES
DECEMBER 31, 2015
(Amounts in Millions)

	Total	Current	Past Due		
			1 - 30 Days	31 - 60 Days	Over 60 Days
Trade	P 55,573	P 42,829	P 5,613	P 1,440	P 5,691
Non-trade	40,535	29,740	3,637	582	6,576
Others	14,544	14,544	-	-	-
Total	110,652	P 87,113	P 9,250	P 2,022	P 12,267
Less allowance for impairment losses	9,925				
Net	P 100,727				



SAN MIGUEL CORPORATION

ANNEX "C"

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of San Miguel Corporation ("SMC" or the "Parent Company") and its subsidiaries (collectively referred to as the "Group") for the three-year period ended December 31, 2015. The following discussion should be read in conjunction with the attached audited consolidated statements of financial position of the Group as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2015. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2015 and the financial performance and cash flows for the year ended December 31, 2015 and for all the other periods presented, have been made.

I. BASIS OF PREPARATION

Statement of Compliance

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

Basis of Measurement

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

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

Functional and Presentation Currency

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

Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation

The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2015

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

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:
 - *Meaning of 'Vesting Condition' (Amendment to PFRS 2, Share-based Payment).* PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.
 - *Scope Exclusion for the Formation of Joint Arrangements (Amendment to PFRS 3, Business Combinations).* PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.
 - *Disclosures on the Aggregation of Operating Segments (Amendments to PFRS 8, Operating Segments).* PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.
 - *Scope of Portfolio Exception (Amendment to PFRS 13, Fair Value Measurement).* The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain

contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.

- Definition of 'Related Party' (*Amendments to PAS 24, Related Party Disclosures*). The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.
- Inter-relationship of PFRS 3 and PAS 40, *Investment Property (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3. The adoption of the amendment did not have an effect on the consolidated financial statements.
- Classification and Measurement of Contingent Consideration (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to PAS 32, rather than to any other PFRS. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in the consolidated statements of income. Consequential amendments are also made to PAS 39 and PFRS 9 to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is amended to exclude provisions related to contingent consideration. The adoption of the amendments did not have an effect on the consolidated financial statements.

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

II. FINANCIAL PERFORMANCE

Comparisons of key financial performance for the last three years are summarized in the following tables.

	Years Ended December 31		
	2015	2014	2013
		(In Millions)	
Sales	P673,925	P773,723	P747,303
Gross Profit	141,002	112,810	116,411
Selling and Administrative Expenses	(62,319)	(57,035)	(60,690)
Operating Income	78,683	55,775	55,721
Financing Charges - net	(28,206)	(25,698)	(27,431)
Equity in Net Earnings (Losses) of Associates and Joint Ventures	(386)	1,701	(502)
Gain (Loss) on Sale of Investments and Property and Equipment	(81)	777	41,192
Other Income (Charges) - net	(4,073)	6,307	(14,087)
Net Income	28,993	28,578	51,193
Net Income Attributable to Equity Holders of the Parent Company	12,448	15,137	38,517

2015 vs. 2014

In 2015, San Miguel Corporation's consolidated sales revenue amounted to P673,925 million, 13% lower than 2014. This mainly reflects the effect of lower crude oil prices which affected the revenues of Petron Corporation (Petron). SMC Global Power Holdings Corp. (SMC Global) volumes and revenues were also affected because of the scheduled shutdown of Malampaya gas facilities, the main fuel source of the Ilijan power plant, as well as, the scheduled major maintenance of the Ilijan and Sual power plants.

On the other hand, the Group's core businesses of beverage, food and packaging continued to contribute higher revenues compared to 2014. The infrastructure business has also started to contribute higher revenues with the consolidation of the concession companies of Metro Manila Skyway (Skyway) Stages 1 and 2, and South Luzon Expressway (SLEX) in the first quarter of 2015.

The lower cost of sales was a result of the drop in crude prices which was partly offset by higher sales volume of Petron.

Consolidated operating income grew 41% above last year at P78,683 million, mainly attributable to higher margins from Petron; continued good performance from the beverage, food and packaging businesses; and higher contribution from the infrastructure business.

Higher financing charges in 2015, was mainly on account of the consolidation of the Atlantic Aurum Investments B.V. (AAIBV) Group's interest expense and other financing charges balance starting March 2015, partly offset by the increase in interest income earned from the proceeds from the disposal of investments in Trustmark Holdings Corporation (Trustmark), Zuma Holdings and Management Corporation (Zuma) and Fortunate Star Limited (Fortunate Star) and increase in the average balance of money market placements of the Group.

In 2015, the equity in net losses primarily represents the share of SMC Global in the net loss of Angat Hydropower Corporation (Angat Hydro), a joint venture company of PowerOne Ventures Energy Inc. (PVEI) and Korea Water Corporation (K-Water) beginning November 18, 2014, net of the Group's share on AAIBV's net earnings for the period from January 1 up to March 4, 2015, while the balance in 2014 primarily represents the Group's share in the net earnings of AAIBV and Bank of Commerce.

The decrease in other income was mainly due to lower hedging gain of Petron in 2015 which stemmed mainly from the less volatile commodity prices experienced in 2015, tempered by its higher currency hedging gain and the gain recognized on the remeasurement of the investment in shares of stock of Liberty Telecoms Holdings, Inc. (LTHI), as a result of the step acquisition.

The depreciation of the Philippine Peso against the US Dollar (US\$), resulted to higher foreign exchange loss (net of income tax) of P9,203 million in 2015 as compared to P1,684 million in 2014.

The higher income tax expense in 2015 primarily resulted from the recognition of income tax on the dividend income from a foreign subsidiary of Petron, improved income from operations, as well as expiration of the Income Tax Holiday on the Board of Investments - registered projects of Petron in 2015; consolidation of the income tax expense balance of AAIBV Group; and the higher taxable income of San Miguel Brewery Inc. (SMB), San Miguel Pure Foods Company Inc. (SMPFC) and SMC Shipping and Lighterage Corporation (SMCSLC).

Consolidated net income, excluding loss on foreign exchange translation amounted to P38,196 million, 26% higher than 2014. Reported net income amounted to P28,993 million, which includes the P9,203 million loss on foreign exchange - net.

The following are the highlights of the performance of the individual business segments:

BEVERAGE

San Miguel Brewery Inc.

SMB ended the year with consolidated revenues of P82,374 million, 4% higher than 2014, mainly driven by the robust performance of its Philippine operations. On-going efforts to stimulate volumes, improved cost-efficiencies and managed fixed costs resulted in an operating income of P22,631 million, 3% higher than the previous year.

SMB has expanded its business portfolio which now includes the non-alcoholic beverages (NAB). SMB acquired from Ginebra San Miguel Inc. (GSMI) its non-alcoholic beverage business in April 2015. This initiative was aimed to pursue a multi-beverage strategy, to enhance SMB's growth prospects, and to strengthen its competitiveness. NAB volumes reflected gradual improvement since it was launched, contributing further growth to the business.

Beer Domestic

Sales volume for SMB's domestic operations reached 177 million cases, 3% higher than the previous year. This translated to a 9% growth in revenues amounting to P70,345 million. Operating income reached P22,428 million, 5% up from 2014.

SMB continues to focus on strengthening brand equities through effective and targeted ad and promo campaigns and demand generating - programs to further strengthen its leadership in the domestic beer market.

Red Horse reinforced its dominance in the strong beer category through its “#1 Beer” campaign, and the annual Pambansang Muziklaban and Pasiklaban Challenge. Meanwhile, San Miguel Pale Pilsen strengthened its position with bar activations and the “Amin ang Beer, Sa’yo ang Kwento” beer stories promo.

San Mig Light remained strong encouraged by its “San Mig Light Bucket Nights” promo and sustained thematic campaigns.

Gold Eagle further strengthened its hold in the Visayas and Mindanao markets through the “Sama-Samang Mag-Jamming, Sama-Samang Mag-Gold Eagle Beer” thematic campaign, complemented by digital promotion initiatives.

Beer International

SMB’s international operations in Hong Kong, Indonesia, and China experienced major challenges which affected volumes. Slowdown was mitigated by sales programs implemented to address these challenges, complemented by the strong growth in Thailand’s domestic operations and Vietnam’s core brands. Total revenues amounted to US\$257 million, versus US\$331 million in 2014.

Sales volume in South China continued to improve as it increased by 14% supported by outlet coverage expansions and higher export volumes. Meanwhile, operations in North China continued to be challenged by competition.

Hong Kong operations has been challenged by the decline in sales volume mainly due to the termination of the distribution agreement with Anheuser Busch InBev (AB InBev) in 2015. San Miguel Brewing International Ltd. (SMBIL) continues to put in place programs to recover these lost volumes such as getting new portfolio of imported brands and adopted the “Going-to-Market” strategy penetrating big wholesalers. These initiatives have started to show improvements. Without AB InBev, volumes grew by 2% in 2015.

Indonesia operations had a difficult year due to the implementation of the new government regulation banning sales of alcoholic beverages in major channels. This significantly affected sales volume but slowdown was mitigated through the implementation of sales programs. Dealers and wholesalers were encouraged to become distributors and sub distributors and more sales programs were introduced to the modern trade-off and on-premise outlets providing trade discount incentives.

Vietnam sustained its positive trend in 2015 ending the year with 18% growth in sales volume. This was led by the double-digit growth of San Miguel Pale Pilsen, San Mig Light and W1N Bia. On the other hand, full year operating performance was 16% unfavorable versus the previous year due to lower export contribution.

Thailand’s domestic volume ended the year with a double-digit growth of 14% backed by SMBIL’s ongoing programs and outlet penetration initiatives. All brands and regions registered gains with San Mig Light outperforming 2014 levels by 11%. Full year operating income grew by more than 100% mainly due to volume improvement and higher prices implemented during the second quarter of 2015.

Liquor and Spirits

GSMI delivered a robust performance in 2015, surpassing the previous year’s performance. Growth was mainly driven by better sales volume and cost-management programs. Total

domestic volumes reached 23 million cases, 4% higher than the previous year. Flagship Ginebra San Miguel increased sales volume by 5% as the “Ganado Sa Buhay” thematic campaign continued to resonate with consumers. Vino Kulafu grew by 12% on the back of improved distribution system and innovation, which strengthened the brand’s popularity among younger consumers in the Visayas and Mindanao area. As such, consolidated revenues grew by 7% to P16,628 million.

Lower production costs, better bottle retrieval system, and improved distillery efficiencies drove full year operating income 73% ahead of the previous year to P621 million.

FOOD

SMPFC posted another growth year for 2015, with a 4% increase in revenues at P106,860 million and operating income of P7,644 million, up by 18% from the previous year. Growth was driven by the strong performance of its Feeds and Branded businesses.

SMPFC remained focused on growing its branded value-added business which provided more robust and steady margins. In 2015 alone, SMPFC launched 24 new products under this category. This category, together with the stable priced products had already increased the total contribution to the revenue pie to about 51%. The acquisition of the *La Pacita* brand, a biscuit and flour based snack business early in 2015 has provided its Milling business to expand its portfolio of branded products which have already started to register growth. SMPFC also introduced powdered mixes such as Wandah! The “All Around Mix” of Gravy, Mayo, Catsup, Cheese spread and Creamee mixes. This introduces various condiments in powdered form that is conveniently packed for single use and easy preparation. These initiatives were in line with the Food Group’s shift to more value-added products.

Agro-Industrial

The Agro-Industrial business composed of feeds, poultry and fresh meats, generated revenues of P72,559 million, exceeding the previous year’s sales by 4%. The business was able to recover from a profit decline in the first three quarters on account of continued favorable performance of its Feeds segment and the improvement of chicken prices in the fourth quarter of the year.

Milling

The Milling business was affected by the drop in flour selling prices following the decline in global prices of wheat, competitive pressures coming from imported and new competitors, together with the government’s continued call to bring down flour prices. Despite this, revenues increased by 3% to P10,256 million due to higher volume. The contribution of the grain terminal operations partly compensated the drop in flour profit. Also cushioning the impact of the drop in basic flour margins is the growing volume of customized premixes and the expansion of the exclusive franchised Kambal Pandesal outlets.

Value-Added

The Value-Added processed meats business posted strong growth as revenues rose by 8% over 2014. This was mainly driven by its core products of Hotdogs and Nuggets products, complimented by its Christmas products like hams and cheeseballs. This delivered a faster growth than the basic foods segment as the company moves to focus more on the value-added segment.

Dairy and Others

The Dairy, Fats and Oil business achieved revenue growth of 13% contributing P8,762 million led by the strong performance of its core product lines for butter, margarine, and cheese.

The food service business continued to benefit from the growing trend of out of home consumption and has been among the top suppliers of major fast food chains. This made it one of the major drivers of San Miguel Pure Foods' growth, generating combined revenues of P12,500 million, growing by 9% in 2015.

The Coffee business has been affected by intense competitive pressures. New product launches and restructuring of sales and distribution organization are currently being done to improve performance.

Meanwhile, the International operations in Vietnam and Indonesia continued to face challenges which posted revenue decline in 2015. This was mainly due to the temporary closure of the feeds and hogs operations in Vietnam and lower volumes in Indonesia. New marketing programs will be implemented to help grow the international operations.

PACKAGING

The Packaging Group continued to provide stable growth in 2015. Revenues grew by 3% to P25,050 million, a result of higher sales across all business groups. Operating income increased to P2,344 million, 2% higher versus last year.

In February 2015, San Miguel expanded its packaging business through the acquisition of Vinocor Worldwide Direct Pty. Ltd., a supplier of wine bottle corks and customized bottles. This enabled San Miguel's packaging group to service the Australian wine market, and cork supplying in the area. This strengthened Australian operations, contributing a double-digit growth in revenues.

Glass

The Glass business achieved record performance in terms of revenue and operating income. Sales revenue reached P8,626 million, 14% better than the previous year mainly driven by sustained strong demand from the beverage and pharmaceutical customers.

Metal

The Metal business experienced a decrease in demand from soft drink customers but impact was softened by the greater domestic demand from beer and other beverage customers.

Plastics

With the continuous domestic delivery of plastic crates and pallets, sales volume increased by 4% from 2014. Revenues reached P1,928 million from P2,094 million in 2014.

Paper

The paper segment registered revenues of P2,273 million, 3% higher than 2014, which resulted to a double-digit growth in net income.

Malaysia

Malaysia operations experienced an increase in sales volume with woven products growing by 4% and plastic films by 13%. However revenues decreased by 6% to P3,282 million.

Australia

San Miguel Yamamura Australasia Pty. Ltd. and its subsidiaries (SMYA or Cospak Group) were significantly profitable with higher sales volume from pharmaceutical products and wine bottles. This enabled the Cospak Group to increase revenues by 22% to P4,675 million.

ENERGY

2015 was a challenging year for SMC Global. Consolidated offtake volume declined by 3% from the previous year at 16,558 Giga Watt Hours (GWH). Lower volumes was mainly the result of the scheduled maintenance outage and occasional supply restrictions of the Malampaya gas facility for Ilijan power plant, as well as the more than 90-days extended major maintenance outage of Unit 2 of Sual power plant. This was, however, moderated by higher power generation of San Roque power plant attributable to better water inflow, and higher contribution from the Limay Co-generation power plant.

Consolidated revenues and operating income amounted to P77,507 million and P23,703 million respectively.

Revenues from the Sual power plant was 2% better than last year at P33,336 million, mainly attributable to higher bilateral volumes sold despite the decline in average bilateral and Philippine Wholesale Electricity Spot Market (WESM) prices.

The San Roque power plant reached an offtake volume of 1,589 GWH, 89% higher than last year. Coupled with contribution from the ancillary services, revenues amounted to P8,550 million, 32% up from 2014.

On the other hand, revenues from the Ilijan power plant declined by 21% to P31,473 million due to lower bilateral and WESM volumes, as well as decrease in prices compared to the previous year.

The Limay Co-generation power plant added 527 GWH in offtake volumes. Revenues significantly increased by 29% amounting to P7,261 million.

SMC Global continued to expand its power portfolio. The construction of the two-new coal-fired power plants located in Limay, Bataan and Malita, Davao remained on track. These two power plants will provide an initial additional capacity of 450 Megawatts (MW), which are expected to be completed before the end of 2016.

FUEL AND OIL

Petron remained to be challenged in 2015 as it was affected by the continued drop in oil prices. Even with robust volume growth, Petron registered lower sales revenue of P360,178 million, a 25% decrease from the previous year. Benchmark Dubai crude fell to US\$35 per barrel in December 2015 with an annual average price of US\$51 per barrel, 47% lower than the previous year.

Despite weak oil prices in 2015, the differential between crude and finished products remained strong and the mix of higher value products improved, supporting refining margins. As a result, Petron's operating income reached P18,134 million last year, a 138% increase from only P7,605 million in 2014.

Philippines

Oil demand in the Philippines has grown significantly amid the low price environment. Supported by the higher production from Refinery Master Plan Phase 2 (RMP-2) and strong industry growth, sales volume hit 62 million barrels, 20% higher than 2014.

Production from RMP-2 continued to improve, as utilization levels reached more than 90%, increasing the production of high-margin products such as gasoline and petrochemicals. The refinery upgrade started its commercial operations in January 2016 and has already passed performance tests, producing Euro IV gasoline and diesel.

Malaysia

Volume grew by 3% mainly driven by increase in sales to industrial accounts, liquefied petroleum gas (LPG) and retail gasoline. The completion of the rebranding and upgrading program supported an 11% growth in gasoline retail sales.

To sustain volume growth in the years to come, Petron continued to expand its network of service stations in both markets. As of December 2015, new service stations under different stages of construction reached 50 for the Philippines and 15 for Malaysia.

INFRASTRUCTURE

In 2015, SMC began to realize higher contributions from the infrastructure business given the consolidation of SLEX and the Skyway System starting March 5, 2015. On a full year 2015 results, San Miguel Holdings Corp. (SMHC) delivered P15,238 million in revenues and P8,536 million in operating income, a 19% and 15% increase respectively from last year.

The tolling revenues consolidated to SMC reached P13,021 million and operating income was at P7,272 million, with the consolidation of SLEX and Skyway Stages 1 and 2 in March 2015.

With higher-than-expected traffic volume, all the operating tollways posted good revenue growth.

SLEX revenues amounted to P4,886 million with average daily traffic reaching 273,978 vehicles. Skyway Stages 1 and 2 delivered P8,111 million in revenues which registered average daily traffic of 241,906 vehicles. The Radio Frequency Identification (RFID) toll collection has been implemented in both tollways and uptake from the consumers was well received.

Southern Tagalog Arterial Road (STAR) Tollway posted double-digit growth in its average daily vehicle count which reached 41,148 vehicles, resulting to P610 million in revenues. The growth was mainly driven by the safety improvements done on the tollway, including the construction of additional lanes.

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

The construction of the Ninoy Aquino International Airport (NAIA) Expressway is now on its final stage and is expected to complete almost all of the 5.4 km stretch by second quarter of 2016. Only a portion fronting the Terminal 3 in the airport will remain under construction until the third quarter of 2016.

The Boracay Airport runway extension to 1.8 km was completed in 2015 with jet operations expected to start by the second quarter of 2016. Construction of the new terminal is set to begin with target completion by early 2018.

The Skyway Stage 3, which involves the construction of a 14.2-km elevated expressway from Buendia to Balintawak, is progressing well and is targeted to be completed by the end of 2017.

The Metro Rail Transit Line 7 (MRT-7) Project has now in place the requisite financing and will soon begin construction. The project involves the construction of a new 22 kilometer light rail transit route that will link the new rail with the Light Rail Transit Line 1 and Metro Rail Transit Line 3 system. Project completion will take around 3.5 years from commencement of construction.

Preparation for the SLEX Toll Road 4 Project, an extension of SLEX from Sto. Tomas, Batangas until Lucena City, with a length of more than 57 kilometers is also underway.

REAL ESTATE

San Miguel Properties Inc. (SMPI) delivered a good performance for 2015. SMPI generated P1,119 million in total revenues, 48% higher than the previous year, backed by the good performance of its real estate segment.

2015 was the year when SMPI presented the best use for their properties and completed the Makati Diamond Residences (MDR), a luxury serviced apartment located in Makati which had a high occupancy rate since its opening to the public, even prior to its formal opening on April 1, 2015.

SMPI is creating more synergies with its business units and more active on new real estate developments, as well as, maximizing the use of existing properties. It shall focus on generating revenues from existing assets by developing quality residential, commercial and industrial projects.

2014 vs. 2013

In 2014, the consolidated sales revenues of SMC reached P773,723 million, 4% higher than 2013, as majority of the businesses of SMC posted healthy revenue growth on the back of robust volumes and higher selling prices.

Consolidated operating income amounted to P55,775 million, almost at par with 2013. The core businesses posted strong results, led by the double-digit growth from the food business and the profit delivery of the liquor business, a turnaround from 2013's loss. For the new businesses, the Energy business delivered optimum performance while Petron was challenged by declining crude oil prices.

The decrease in net financing charges in 2014 was mainly due to lower debt balance and lower interest rates of the outstanding long-term debt balance of SMB and the decrease in interest income of Petron resulting from the partial collection of advances to a related party.

The increase in equity in net earnings of associates and joint ventures was mainly on account of the higher share in net income of Trustmark and AAIBV and lower loss of Zuma in 2014; and share in the net loss of Top Frontier until October 2013, net of share in net income of Manila Electric Company (Meralco) until September 2013.

Other income in 2014 was mainly on account of the unrealized commodity hedging gains recognized by Petron in 2014 versus loss in 2013, and the lower loss on foreign exchange in 2014 on account of the translation of the Group's foreign currency – denominated assets and

liabilities mainly of SMC Global, the Parent Company and Petron. The Philippine Peso depreciated against US\$ by 0.325 in December 2014 compared to 3.345 in December 2013.

As a result, consolidated net income amounted to P28,578 million, of which P15,137 million is attributable to the equity holders of the Parent Company. SMC recognized one-time gain in 2013 from the sale of the investment in shares of stock of Meralco, which brought net income to P51,193 million. Taking out the effect of one-off items, SMC posted a recurring net income of P28,337 million in 2014, 230% higher than 2013.

The following are the highlights of the performance of the individual business segments:

BEVERAGE

San Miguel Brewery Inc.

SMB's consolidated volumes reached 207.3 million cases, a 2% improvement from 2013, when volumes slowed as a result of the implementation of the new excise tax structure beginning in 2013. Volume improvement was driven mainly by growth across the domestic market-particularly in the Visayas region and demand-generating programs.

SMB has put in place an effective price management program, which resulted in the increase in sales revenues by 5% to P79,005 million.

SMB remained focused on managing its fixed costs and implementing cost efficiency measures. Beer International in particular was able to realize significant improvements in its operations. As a result, consolidated operating income rose 2% to P22,079 million.

Beer Domestic

2014 was a recovery year for SMB's domestic operations. Volumes of 172.5 million cases grew 3% over 2013, while sales revenues reached P64,303 million and operating income of P21,118 million, growing by 6% and 2%, respectively. The improvement in sales performance was achieved through intensified implementation of demand-generating programs and cost-efficiency measures. Red Horse Beer remained the number 1 strong beer in the country and asserted dominance through the "Kaya Mo Na", Pambansang Muziklaban and Pasiklaban barangay activations. San Miguel Pale Pilsen's "iconic" positioning was reinforced through "Bilib" thematic campaign and the "Sarap MagBabad" summer program, among others.

San Mig Light strengthened relevance with the enhanced "One Word" campaign, "On All Night" loyalty program, Bucket Nights/Party All Night programs and digital campaigns, promotions and sponsorships.

Gold Eagle Beer improved sales through its well-focused "Sama-Sama Mag-Jamming, Sama-Sama Mag-Gold Eagle Beer" campaign in the Visayas and Mindanao. On the other hand, Lifestyle Brews, San Miguel Premium All-Malt, Super Dry and Cerveza Negra, brand image continued to improve with "Ingredients" and "Awards" campaigns. Newly-launched San Mig Zero started to make its contribution to the SMB portfolio, proving that campaigns focused on strengthening visibility and trial-generating activations were well-received by consumers.

Meanwhile, San Miguel Flavor Beer's market continued to expand through the success of "Game Tayo" digital campaign, "Talk" TVC and store penetration programs.

Beer International

SMBIL operations posted P14,702 million in revenues in 2014, slightly higher than 2013 mainly driven by modest growth in sales of its branded products. This was despite lower volumes resulting from discontinued private label volumes.

In South China, volumes of the San Miguel brand in targeted expansion areas continued to register double-digit growth, partly offset by lower volumes in the core markets due to distribution gaps. Total volumes however, grew due to higher local brand volumes and increased exports production. North China operations, on the other hand, continued to be challenged by intense competition.

SMB Hong Kong (SMBHK) volume ended flat due to the termination of the distribution agreement for certain premium brands, and the pro-democracy demonstrations (from September to December) in the country which resulted in weaker domestic volumes. Improvements in margins, together with higher exports slightly offset the effects of lower volumes in operating profitability.

Indonesia operations was weighed down by dealer and wholesaler pricing issues in the second and third quarter of 2014, resulting in a 7% drop in volumes. However, recovery in the fourth quarter of 2014, as well as higher margins and prudent spending on fixed costs protected profitability.

Vietnam registered a double-digit growth in its domestic volumes, spearheaded by San Mig Light and W1N Bia which grew 7% and 21%, respectively.

Despite a political crisis in Thailand that saw the imposition of martial law in the second quarter of 2014, volumes still grew by 3%. Marketing programs and outlet penetration activities proved successful in achieving an average 5% monthly growth in the second half of 2014. Operating performance substantially improved, buoyed by higher volumes and better margins.

Exports volumes for San Miguel brands grew 9% on the back of steady growth in the United Arab Emirates, Taiwan, Korea and the United States and new markets in Africa and Australia. This, however, was outweighed by lower private label volumes, resulting to a 9% volume decline in total exports.

Liquor and Spirits

GSMI achieved milestone results in 2014, a year which marked its flagship brand Ginebra San Miguel's 180th year of gin excellence. GSMI delivered a strong performance, registering an operating profit of P358 million, a turnaround from 2013's operating loss of P793 million.

Growth was driven by the resurgence in volume sales and lower costs resulting from improved efficiency and more deliberate cost-management programs.

GSMI went back to basics and focused its strategy on its core gin products, led by flagship Ginebra San Miguel. The "Ganado sa Buhay" thematic campaign and the nationwide concert series "Ginumanfest" resonated with consumers and was a huge success which allowed GSMI to regain key markets in Northern Luzon. Purposive product launches also allowed GSMI to capture new markets, particularly in the Eastern Visayas. GSMI also reinforced its distribution network through wholesalers, extending its reach in unserved areas in Luzon and Visayas.

As a result, domestic liquor volume grew 4% to 22.1 million cases. Consequently, revenues reached P15,511 million, 8% higher than in 2013.

Increased use of second-hand bottles, better distillery and bottling efficiencies yielded reduced production spending. Fixed costs were kept in check with more prudent spending, particularly with advertising and promotion. These significantly improved margins and GSMI's overall profitability.

Inspired by the momentum generated in 2014, growth prospects will be hinged on volume growth, with focus in securing relevance to its core drinkers and generating incremental consumption. The launch of the sequel to the "Ganado sa Buhay" thematic campaign will strengthen the dominance of the flagship brand Ginebra San Miguel in the gin category. The introduction of Primera Light brandy and the re-launch of GSM Blue, both lower proof alcohol products, will create an appeal to a younger consumer segment. These programs together with sustained cost improvement programs are expected to sustain profit growth of the business.

FOOD

SMPFC registered another growth year in 2014 as revenues reached P102,999 million, a 3% increase over 2013. This was mainly driven by the strong performance of its Agro-Industrial and Flour Milling businesses. Volumes were spurred by on-going innovation programs and expanded distribution network, further strengthened by improvements in its established branded products, development of new variants and supported by innovative marketing and promotional activities.

The impact of Typhoon Glenda and the congestion in Manila's main ports made operating conditions relatively difficult. Nevertheless, operating income grew by 17% to P6,463 million, on the back of strong performance of poultry and fresh meats businesses, which benefitted from favorable selling prices, better farm efficiencies and improved availability of cassava. The Milling business also contributed to operating income growth with increased sales volume and lower wheat cost.

San Miguel Pure Foods' established strategies and unwavering focus were key in mitigating effects of such uncontrollable forces and allowed SMPFC to deliver a solid 2014 performance. Its vertically-integrated business model remains to be a fundamental strategy in controlling costs in all levels of production. The expansion of exclusive retail outlets, such as the Magnolia Chicken stations, Monterey Meatshops and Kambal Pandesal, continued to increase their contribution in sales. SMPFC also continued to increase brand equity through product innovations and brand-building initiatives.

Agro-Industrial

The Agro-Industrial business posted revenues of P69,648 million, up by 6%, with all segments contributing to the growth. Revenues from poultry and fresh meats grew on the back of favorable selling prices. On the other hand, revenues from the feeds business increased by 7%, driven by higher volumes in hogs, broiler and duck feeds.

Milling

The Milling operations ended 2014 with revenue of P9,916 million, 5% growth versus 2013, on the back of an overall 2% volume growth led by the value - added flour products and additional revenues from the new Grains Terminal operations.

Third-party owned and operated Kambal Pandesal bakery outlets continued to grow at a remarkable rate, reaching 447 stores in December 2014, from only 168 outlets in 2013. Using high quality ingredients from SMPFC's Milling and Branded Value-Added businesses, Kambal

Pandesal bakeries brought delicious bread products such as Pan de Keso, Pan de Hotdog and Pan de Kape to the masses at affordable prices.

Value-Added

2014 was relatively challenging for the Value-added Meats business which was affected by high trade inventory at the beginning of 2014 and the port congestion problem during the 2nd half of 2014 that had an adverse impact on logistics costs and raw materials availability.

Revenues, however, still grew 1% to P15,069 million given by higher selling prices, sales performance of new products and increased convenient food offerings such as bone-in fried chicken, canned chicken and meaty spaghetti sauce. The native line segment was also expanded showcasing SMPFC's Magnolia chicken.

Dairy and Others

The Dairy, Fats and Oils business registered revenues of P7,787 million, a 9% growth on the back of strong volume growth from butter, margarine and cheese. New flavors launched strengthened the "Best of the Philippines" line that allowed Magnolia ice cream to make its contribution.

Meanwhile, the coffee business, under the San Mig Coffee brand, focused on its core products and realized revenue growth of 24% for its Sugarfree variant.

PACKAGING

While several external factors made 2014 a challenging year for San Miguel Yamamura Packaging Group (SMYPG), SMYPG remained focused on protecting its profitability and as a result, turned in improved margins for 2014.

Operating income grew 11% to P2,305 million, even as revenues declined 4% to P24,226 million. Lower requirements from beverage industry customers translated to lower orders for bottles, metal caps and crates, which affected both topline and bottomline performance of these segments.

However, SMYPG's long-established efficiency improvement and cost-containment programs, coupled with improved performance from paper, polyethylene terephthalate (PET) and exports, allowed them to deliver a higher operating performance compared to 2013.

Glass

Glass remained the biggest revenue contributor, despite the decline in volumes due to lower bottle requirements from beer and softdrinks customers in the first half of 2014. This, however, was cushioned by increase in sales from other beverage customers in the second half. Exports from China and Vietnam also remained to be very strong.

The furnace repair and facilities upgrade in Manila, Cebu and Vietnam were completed in 2014 to improve utilization and quality of production.

Metal

Demand for metal cans remained stable in 2014, though affected by lower requirements from beverage customers.

Modern machine technology has been installed enabling the business to produce new product lines and expanding its market reach to new territories such as Papua New Guinea, Sri Lanka

and Nepal. A new can tolling facility is also being constructed in San Fernando, Pampanga to serve customers for fruit juices, energy drinks and soft drinks.

Plastics

Lower demand for crates in the plastic business was overshadowed by the significant improvement in the pallet leasing business, which grew more than three-folds in revenues.

Paper

2014 was a banner for the paper business achieving the highest historical performance in volumes and revenues. Better carton deliveries was driven by higher demand from export fruit companies that propelled sales which translated to double-digit growth in operating income.

Strong product developments were initiated with new products for the beer and softdrinks industries. The PET facility installed a flexible line that will serve both cold and hot-filled beverages, providing quality packaging to both juices and carbonated drinks.

Malaysia

Malaysia operations' plastic film business ended 2014 with favorable volume and revenue versus 2013 while its flexibles business was faced with higher raw materials prices, amid intense competition.

Australia

Cospak also had a banner 2014 as cost-containment programs delivered almost four times growth in operating income. This was complemented by higher volumes from wine customers which boosted revenues.

ENERGY

2014 was a banner year for SMC Global as profitability soared by 26% in operating income at P25,899 million. This was mainly driven by higher bilateral volumes, with consolidated offtake volumes reaching 17,001 GWH, 5% higher than 2013.

Apart from the addition of the 140 MW capacity from the Limay co-generation power plant, the power business benefitted from improved efficiencies in its other major plants, amid higher demand for power, especially during the summer months. These, complemented by higher average WESM prices, translated to consolidated revenues of P84,294 million, a 14% jump from 2013.

The Sual Power Plant sold a total of 7,132 GWH of electricity, 1% higher than 2013 while revenues grew 3% to P32,758 million. Capacity utilization of the plant during the summer months was at its highest level, reaching 90% average utilization rate, as better performance of the plant took advantage of high market demand for power.

Offtake volumes of 8,863 GWH, 5% higher than 2013, brought P40,077 million in revenues for the Ilijan power plant. This is on account of higher bilateral volume nominations driven by the increased demand for electricity.

San Roque power plant offtake volumes reached 841 GWH, 6% higher than 2013, despite lower water dam reservoir level than expected. Together with ancillary service contribution, revenues reached P6,488 million, a 41% growth from 2013.

SMC Global Power's new ventures have also started to contribute in its total performance.

The Limay Co-generation power plant added 537 GWH in offtake volumes and revenues of P5,629 million, with the full commercial operations of the 140 MW in 2014 or an additional 70 MW from 2013.

The construction of the new coal-fired power plants in Malita, Davao and Limay, Bataan are progressing well. These plants will provide an additional 600 MW initial capacity once completed.

FUEL AND OIL

It was a challenging 2014 for Petron. Both Philippines and Malaysia operations were affected by the steep drop in crude oil prices in the second half of 2014, putting pressure on oil companies around the world. From a relatively stable first half, with the benchmark Dubai crude averaging US\$108 per barrel in June 2014, a supply glut and a weak global economy caused crude prices to plunge by as much as 44% to average US\$60 per barrel in December 2014.

Petron, however, managed to end 2014 with a 4% growth in revenues posting P482,535 million, despite lower selling prices. This was driven by the 6% growth in consolidated sales volume of 86.5 million barrels.

Petron also ended 2014 with an operating profit of P7,605 million, amid record losses being posted industry-wide. Petron's risk management programs mitigated effects of the volatility in the market, reducing inventory losses by half.

In this volatile and uncertain year, Petron maintained its strategic focus and marked 2014 with the completion of the US\$2-billion Refinery Master Plan 2 (RMP-2) project. This is a key milestone for Petron as it now operates on a higher plane, changing the mechanics on how it runs the business. The upgrade allows full utilization of its 180,000 barrel-per-day Bataan refinery and significantly increases the production of high-margin products such as gasoline and petrochemicals. It also enables use of cheaper crude oil. The project likewise allows the local production of more efficient, superior, and environment-friendly fuels to meet Euro IV standards.

Philippines

Philippine operations sold 51.5 million barrels, up 9%, benefiting from higher demand from the retail sector supported by the service station expansion program and robust industrial and LPG sales.

Retail network expansion in the Philippines also continued in 2014, with total number of service stations close to 2,200. The project allows for increased channels for Petron's products to reach underserved markets across the country which is a key driver of domestic volume growth.

Malaysia

Malaysia operations contributed 35.0 million barrels, on the back of strong industrial and retail sales.

In Malaysia, the rebranding and upgrading project has been completed successfully for the existing service stations. Petron is also expanding the retail network in this market, with about 20 new service stations currently under construction.

INFRASTRUCTURE

It was also a year of many significant milestones for SMC's infrastructure business, particularly in tollways, as the very first Greenfield tollway project of the Group was opened and construction of the NAIA and Skyway Stage 3 expressways began.

Thus far, Private Infra Dev Corporation (PIDC) has opened about 63 kilometers of the 88.6-kilometer of the TPLEX, running all the way from Tarlac to Urdaneta City in Pangasinan. As of year-end 2014, TPLEX has served about 8,500 average daily vehicles bound for the Northern Luzon area, providing faster and more convenient travel to motorists.

In January 2014, the construction of the 5.4-km NAIA Expressway that will connect to the Skyway system, PAGCOR City and Roxas Boulevard and provide convenient access to NAIA Terminals 1, 2 and 3 commenced.

Also at the start of 2014, the Group broke ground for the much awaited Skyway Stage 3, which involves the construction of a 14-km elevated expressway, with 8 exit ramps, starting from the existing Skyway from Buendia in Makati to Balintawak, Quezon City. The project is vital in improving the traffic situation in Metro Manila, providing an alternate, direct route for motorists traveling for North to South and vice-versa.

Even as the new tollroad projects have gotten off the ground, the Group's existing operating tollway assets also continue to perform well. Combined traffic flow of the SLEX and Skyway averaged 475,000 vehicles, about 6% higher than 2013.

As of March 5, 2015, SMHC increased its ownership in AAIBV to 95% when Padma Funds L.P. conveyed and transferred its outstanding shares in AAIBV equivalent to 48.47%. This effectively increased SMC's ownership in SLEX to 76% and the Skyway System to 83.45%.

STAR Tollway registered double-digit growth of 13% from 2013 with average daily traffic of about 33,000 vehicles. This growth is expected to continue as improvements on the tollway have been completed, including the construction of additional lanes in the Lipa to Batangas stretch.

The Group's airport project in Caticlan is also on schedule. The extension of the Boracay Airport runway to 1.8 km, will enable it to accommodate larger aircrafts. Improvements will also allow for night landing, which will further help boost tourism. A new and bigger terminal will likewise be constructed to accommodate the projected increase in tourist arrivals.

Finally, the Group received the performance undertaking for the MRT-7 in October 2014. The project involves the construction of a 22-km light rail transit from North Epifanio de los Santos Avenue to San Jose Del Monte, Bulacan. It also includes the construction of a 22-km road that will connect to North Luzon Expressway (NLEX) at the Bocaue exit. Construction of this project is targeted to begin by middle of 2016.

REAL ESTATE

SMPI registered P756 million in total revenues, 6% higher than in 2013, as booked sales for projects increased, given the positive response to its residential projects that target mid to high-end clients.

SMPI expects this growth to continue with the delivery of long-awaited projects in 2015, such as the MDR. Also due for turnover in 2015, are One Dover View in Mandaluyong and Emerald 88

in Pasig. The completion of Doverhill model unit in San Juan in 2015, along with the launch of Picolo Square, a residential building project in General Trias, should also bring in more sales in the future.

III. FINANCIAL POSITION

A. The following are the major developments in 2015:

BUSINESS COMBINATIONS AND INVESTMENTS IN SUBSIDIARIES

TELECOMMUNICATIONS

- *Acquisition of Additional 51.88% Equity Interest in LTHI*

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

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

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

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

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

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

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

- *Acquisition by Vega of 88.17% Ownership Interest in CobaltPoint Telecom, Inc. (CTI, formerly Express Telecommunications Co., Inc.)*

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

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

INFRASTRUCTURE

- *Acquisition of 44% Equity Interest and Exercise of Option to Acquire Additional 4.47% in AAIBV*

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

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

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

- *Investment in Manila North Harbour Port, Inc. (MNHPI) by SMHC*

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

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

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

FOOD

- *Acquisition of the 49% Ownership Interest in San Miguel Pure Foods Investment (BVI) Limited (SMPFI Limited)*

In January 2015, San Miguel Pure Foods International, Limited (SMPFIL), a wholly-owned subsidiary of SMPFC, signed an agreement for the purchase from Hormel Netherlands B.V. (Hormel) of the latter's 49% of the issued share capital of SMPFI Limited. SMPFIL already owned 51% interest in SMPFI Limited prior to the acquisition. SMPFI Limited is the sole investor in San Miguel Hormel (VN) Co., Ltd. (SMHVN), a company incorporated in Vietnam, which is licensed to engage in live hog farming and the production of feeds and fresh and processed meats.

Following the acquisition, SMPFI Limited became a wholly-owned subsidiary of SMPFIL. Consequently, Hormel's non-controlling interest amounting to P126 million as of January 2015 was derecognized. As part of the agreement, Hormel paid its share of the cash requirement to settle SMHVN's obligations, including estimated contingent liabilities and costs to temporarily

close the farm and feedmill operations.

With the divestment made by Hormel, SMHVN changed its corporate name to San Miguel Pure Foods (VN) Co., Ltd., in June 2015 following the issuance of the Binh Duong People's Committee of the amended business license of SMHVN.

OTHER ASSETS

- *Divestment of the Shares of Stock of Indophil Resources NL (Indophil)*

On December 18, 2014, the shareholders of Indophil qualified to vote, approved the scheme of arrangement proposed by Alsons Prime Investments Corporations to purchase all the shares of current shareholders of Indophil, inclusive of the shares held by Coastal View Exploration Corporation (Coastal View) for Australian dollar (A\$) 30 cents per share.

Accordingly, the carrying amount of the investment in Indophil, amounting to P527 million as of December 31, 2014 was reclassified to "Assets held for sale" account in the 2014 consolidated statement of financial position.

On January 30, 2015, Coastal View received the payment on the sale of investment in shares of stock of Indophil amounting to A\$14 million (P493 million).

- *Acquisition of La Pacita Trademarks*

In November 2014, the Parent Company through SMPFC entered into an Intellectual Property Rights Transfer Agreement with Felicísimo Martínez & Co. Inc.'s (FMC) *La Pacita* for the transfer to SMPFC of FMC's trademarks, formulations, recipes and other intangible properties (collectively, the "IP Rights") relating to the *La Pacita* biscuit and flour-based snack business. SMPFC made a refundable deposit on the same date, included as part of "Non-trade" under "Trade and other receivables" account in the 2014 consolidated statement of financial position.

In February 2015, the refundable deposit was reversed following the substantial fulfillment of the closing conditions and the payment of the consideration.

BORROWINGS

- **REFINANCING OF LONG-TERM DEBT**

FUEL AND OIL

On July 29, 2015, Petron drew US\$550 million loan or P25,013 million, to be amortized over five years with a two-year grace period and subject to a floating interest rate plus a fixed spread. Proceeds were used to refinance existing debt amounting to US\$550 million or P25,060 million, effectively extending the loan maturity profile from 2016 and 2017 to 2020.

On October 13, 2015, Petron drew P5,000 million from the term loan facility agreement signed and executed on October 7, 2015. The facility is amortized over seven years with a two-year grace period and is subject to a fixed rate of 5.4583% plus gross receipts tax.

PARENT COMPANY

On September 8, 2015, the Parent Company drew US\$287 million or P13,469 million from a loan facility agreement signed in March 2015. Proceeds from the five-year floating rate loan were used for the repayment of the Medium Term Notes (MTN) Tender Offer in April 2015. The US\$287 million loan's interest rate of LIBOR + 1.6% per annum is lower than the MTN rate of 4.875%.

On April 10, 2015, the Parent Company purchased a total of US\$284 million (P12,611 million) in principal amount of the US\$800 million MTN issued in April 2013 to mature in 2023. The price at which the Parent Company purchased the Notes validly tendered and accepted for purchase is 95%. The Parent Company recognized a gain of about P275 million for the transaction.

INFRASTRUCTURE

– SOUTH LUZON TOLLWAYS CORPORATION (SLTC)

On May 22, 2015, SLTC issued fixed rate bonds amounting to P7,300 million divided into Series A (P2,400 million), Series B (P2,400 million) and Series C (P2,500 million) having a term of five years and three months or maturing on August 22, 2020, seven years or maturing on May 22, 2022, and 10 years or maturing on May 22, 2025 respectively, with a fixed interest rate per annum of 4.9925%, 5.5796% and 6.4872%, respectively.

The net proceeds of the fixed rate bond offering were used to prepay the five-year P7,975 million Peso-denominated Floating Rate Corporate Notes and Security Agreement drawn on April 4, 2012. Actual interest rates from April 2012 to May 2015 ranged from 4.2158% to 5.7153%. The refinancing of the P7,975 million corporate notes extended the maturity of the loan from 2017 to 2020 up to 2025. Principal payment for the new loan is payable upon maturity of the Series A on 2020, Series B on 2022 and Series C on 2025, while for the refinanced loan, principal payment was due with balloon amounts on various periods up to April 2017. The retail bonds were not subjected to Single Borrower's Limit unlike the refinanced loan.

▪ PAYMENT OF LONG-TERM DEBT

In 2015, the Group paid the following long-term debt balances with a total amount of P21,347 million:

– PARENT COMPANY

On December 14, 2015, the Parent Company paid the remaining balance of various loans availed in 2009 and 2010 amounting to P7,850 million.

– INFRA GROUP

On various dates in 2015, the Infrastructure Group paid a total of P7,510 million of its maturing long-term debt.

1. Atlantic Aurum Investments Philippines Corporation (AAIPC) paid a total of P3,246 million, from the P14,500 million Corporate Notes Facility drawn in 2013 for the acquisition of the 87.84% ownership interest in Citra Metro Manila Tollways Corporation (CMMTC).

2. MTD Manila Expressways Inc. (MTDME) paid a total of P2,536 million, from the P11,500 million Corporate Notes Facility drawn in 2012.
3. CMMTC paid a total of P1,454 million, from the P12,100 million Syndicated Loan Facility drawn in 2009 to finance the construction of Stage 2 and the restructuring of certain liabilities related to Stage 1 of the South Metro Manila Skyway.
4. PIDC paid P189 million, from the P15,140 million ten-year term Loan Facility used for financing the TPLEX Project.
5. SIDC paid P85 million, from the Loan Facility Agreement with local banks amounting to P3,500 million, the proceeds of which were primarily used to finance the construction and development of Stage II, Phase II of STAR Project.

– FOOD

On December 11, 2015, San Miguel Foods, Inc. paid the peso-denominated fixed rate and floating rate notes with principal amounts of P800 million and P3,700 million, respectively. The source of funding came from the equity infusion of SMPFC in 2015.

– ENERGY

In 2015, SMC Powergen Inc. paid P1,373 million, from the P13,800 million 10-year term loan drawn in 2013 which was used for the acquisition of 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant in Limay, Bataan, from Petron.

– BEVERAGE

In 2015, East Pacific Star Bottlers Phils Inc., a wholly-owned subsidiary of GSMI paid P114 million from its P800 million loan which was used to finance the construction of the bottling facilities in Ligao, Albay and Cauayan, Isabela.

▪ AVAILMENT OF LONG-TERM LOANS TO FINANCE CAPITAL PROJECTS

– SMC GLOBAL

On March 6, 2015, SMC Global made the final drawdown of US\$200 million (P8,825 million) five-year floating rate loan from the US\$700 million facility agreement. The proceeds were used to finance the ongoing construction of power plants in Davao and Limay (the Greenfield Power Plant Projects).

– VERTEX TOLLWAYS DEVT. INC. (VERTEX) - NAIA EXPRESSWAY

On various dates in 2015, Vertex has drawn a total of P6,400 million loan, for the financing of ongoing construction of the NAIA Expressway Project.

– PIDC - TPLEX

On April 24, 2015, PIDC made the final drawdown of P3,640 million to complete the P15,140 million ten-year term loan facility used for financing the TPLEX Project.

– CITRA CENTRAL EXPRESSWAY CORP. (CCEC) – SKYWAY STAGE 3

On various dates in 2015, CCEC has drawn a total of P8,700 million from the P31,000 million loan facility to partially finance the design, construction and the operation and maintenance of the Stage 3 of the Skyway Project.

PREFERRED SHARES

- *Issuance of 446,667,000 Series “2” Preferred Shares – Subseries D, E and F by the Parent Company*

On September 21, 2015, the Parent Company issued and listed in the PSE 446,667,000 Series “2” Preferred Shares in three sub-series (Subseries “2-D”, Subseries “2-E” and Subseries “2-F”) and are peso-denominated, perpetual, cumulative, non-participating and non-voting. Dividend rates are 5.9431%, 6.3255% and 6.8072% per annum for Subseries “2-D”, “2-E” and “2-F”, respectively.

The proceeds from the issuance of the shares were used to redeem the Subseries “2-A” Preferred Shares.

- *Redemption of Series “2” Preferred Shares - Subseries A by the Parent Company*

On September 21, 2015, the Parent Company redeemed its 721,012,400 Series “2” Preferred Shares - Subseries “2-A” at a redemption price of P75.00 per share plus any unpaid cash dividends. The Parent Company paid P54,076 million to the holders of Subseries “2-A” Preferred Shares.

- *Reissuance of Series “1” Preferred Shares of the Parent Company*

On April 14, 2015, the Parent Company reissued 279,406,667 Series “1” Preferred Shares in the name of certain subscribers at P75.00 per share. The Series “1” Preferred Shares became tradable at the PSE beginning June 10, 2015.

- *Redemption of Outstanding Preferred Shares by SMPFC*

On February 3, 2015, SMPFC’s BOD approved the redemption of the 15,000,000 outstanding preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share or a total redemption price of P15,000 million.

The redemption price and all accumulated unpaid cash dividends were paid on March 3, 2015 to relevant stockholders of record as at February 17, 2015. The redeemed preferred shares thereafter became part of SMPFC’s treasury shares.

- *Issuance of Series “2” Perpetual Preferred Shares by SMPFC*

On March 12, 2015, SMPFC issued 15,000,000 cumulative, non-voting, non-participating, and non-convertible peso-denominated perpetual Series “2” Preferred Shares with a par value of P10.00 per share at the offer price of P1,000.00 per share. The Series “2” Preferred Shares were issued with a dividend rate set at 5.6569% per annum payable once for every dividend period as follows: (i) March 12 to June 11, (ii) June 12 to September 11, (iii) September 12 to December 11, or (iv) December 12 to March 11 of each year calculated on a 30/360-day basis, as and if declared by the BOD of SMPFC.

The Series “2” Preferred Shares are redeemable in whole and not in part, in cash, at the sole option of SMPFC, on the third anniversary of the listing date or on any dividend period thereafter, at the price equal to the offer price plus any accumulated and unpaid cash dividends. The Series “2” Preferred Shares may also be redeemed in whole and not in part, under certain conditions. Unless the Series “2” Preferred Shares are redeemed by SMPFC on the 5th year anniversary of the listing date, the dividend rate shall be adjusted thereafter to the higher of the dividend rate of 5.6569% or the three-day average of the seven-year PDST-R2 plus 3.75%.

On March 12, 2015, the SMPFC Series “2” Preferred Shares were listed on the PSE.

The proceeds from the issuance of the Series “2” Perpetual Preferred Share, net of transaction costs amounted to P15,000 million.

The proceeds of the issuance were used to refinance the redemption of the outstanding 15,000,000 preferred shares issued on March 3, 2011 at the redemption price of P1,000.00 per share plus any and all accumulated unpaid cash dividends to relevant stockholders of record as of February 17, 2015.

- *Redemption of the Preferred Shares Issued by Petron in 2010*

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

- *Redemption of Preferred Shares by Petron Global Limited (PGL)*

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

UNDATED SUBORDINATED CAPITAL SECURITIES

Issuance of US\$300 million Undated Subordinated Capital Securities by SMC Global

On August 26, 2015, SMC Global issued and listed on the Singapore Stock Exchange (SGX-ST) a Reg S, Unrated Perpetual Non-Call 5.5 years US\$300 million Undated Subordinated Capital Securities. SMC Global priced the deal at 6.75% per annum with a step-up date on February 26, 2021.

The holders of the Securities are conferred a right to receive distributions on a semi-annual basis from their issue date at the initial rate of distribution, subject to the step-up rate. SMC Global has a right to defer this distribution under certain conditions.

The Securities have no fixed redemption date and are redeemable in whole, but not in part, at the option of SMC Global on step-up date, or any distribution payment date thereafter or upon the occurrence of certain other events.

The proceeds were used by SMC Global to finance investments in power-related assets and other general corporate purposes.

B. The following are the major developments in 2014:

BUSINESS COMBINATIONS AND INVESTMENTS IN SUBSIDIARIES

TELECOMMUNICATIONS

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

In May and June 2014, Bell Telecommunication Philippines, Inc. (BellTel) acquired 100% of the outstanding and issued shares of stock of SLDC and DPI, respectively, from various individuals for a total consideration of P1,264 million.

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

MINING

- *Investment in South Western Cement Corporation (SWCC)*

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

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

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

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

INVESTMENTS IN ASSOCIATES

- *Receipt of the Remaining Balance of the Proceeds from the Sale of Shares of Stock of the Manila Electric Company (Meralco)*

On July 19, 2013, the Parent Company sold 64,333,330 shares of common stock in Meralco at P270.00 per share.

On September 30, 2013, the Parent Company, together with SMPFC and SMC Global, entered

into a Share Purchase Agreement with JG Summit Holdings, Inc. (JG Summit), for the sale of the remaining 305,689,397 shares of stock of Meralco for P71,837 million.

As a result of the sale, the Group recognized a gain of P40,423 million in 2013.

- *Divestment of the Equity Interests in PAL and PAL Express and Other Related Investments and Advances*

On October 23, 2014, the Group received from the Lucio Tan Group, a total of US\$874 million or an equivalent of P38,616 million from the sale of the 49% equity interest in Trustmark and Zuma, including indirect ownership interests of 43.23% and 48.98% in Philippine Airlines, Inc. and Air Philippines Corporation, respectively, and the sale of the equity interest and cancellation of subscription rights on the shares of stock of Fortunate Star. As a result, a gain of P491 million was recognized in 2014.

- *Investment in Angat Hydro and KWPP Holdings Corporation (KWPP)*

PVEI, a subsidiary of SMC Global, and K-Water entered into a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the 218 MW Angat Hydroelectric Power Plant (Angat Power Plant) awarded by PSALM to K-Water.

On November 18, 2014, PVEI acquired from the individual stockholders and K-Water, 2,817,270 shares or 60% of the outstanding capital stock of Angat Hydro and from the individual stockholders, 75 shares representing 60% of KWPP outstanding capital stock. Accordingly, PVEI paid K-Water and the individual stockholders a total of US\$39 million as full payment of the share purchase price.

In accordance with the entry of PVEI in Angat Hydro and KWPP, K-Water and PVEI are jointly in control of the management and operation of Angat Hydro and KWPP.

Further, PVEI agreed to pay K-Water a support fee amounting to 3% of the total amount of the bridge loan facility which was obtained for the acquisition by Angat Hydro of the Angat Power Plant. This was subsequently reduced to 1.5% of the amount of the bridge loan facility effective August 4, 2015.

BORROWINGS

- **REFINANCING OF LONG-TERM DEBT**

- **BEVERAGE**

On April 2, 2014, SMB completed the offering of Philippine Peso – denominated fixed rate bonds in the aggregate principal amount of P15,000 million (P15 billion Bonds) with its issuance of the P15 billion Bonds and receipt of the proceeds amounting to P15,000 million. The P15 billion Bonds consisted of the following: Series G bonds the aggregate principal amount of P12,462 million having a term of seven years beginning on April 2, 2014 (Issue Date) and ending on April 2, 2021, with a fixed interest rate of 5.50% per annum; and Series H bonds with an aggregate principal amount of P2,538 million having a term of ten years beginning on Issue Date and ending on April 2, 2024, with a fixed interest rate of 6.00% per annum.

On April 4, 2014, SMB paid the aggregate principal amount of the Series B bonds of P22,400 million, which matured on the same day. The Series B bonds formed part of the P38,800 million

fixed rate bonds that were issued by SMB in 2009. The proceeds of SMB's P15 billion Bonds offering and SMB's available cash generated from its operations were used to fund the said payments. The net proceeds of the P15 billion Bonds have been fully utilized in April 2014.

– FUEL AND OIL

On May 14, 2014, Petron signed and executed the US\$300 million loan facility. The facility is amortized over five years with a two-year grace period and is subject to a floating interest rate plus a fixed spread. The total amount was drawn in 2014 and the proceeds were used to refinance existing debt and for general corporate purposes. Petron completed the syndication of the facility, and increased the facility amount to US\$475 million on September 29, 2014. Drawdowns related to the additional US\$175 million were made on October 24 and November 6, 2014. Amortization in seven equal amounts will start in May 2016, with final amortization due in May 2019. Petron made partial payments amounting to US\$135 million in 2015.

▪ **PAYMENT OF LONG-TERM DEBT**

PARENT COMPANY

Redemption by the Parent Company of the Remaining Balance of the Exchangeable Bonds Amounting to US\$213 Million

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 consent of the bondholders 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 million. 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 million. The Group recognized a loss on redemption of exchangeable bonds amounting to P1,500 million in 2013.

A total of US\$24 million and US\$22 million worth of exchangeable bonds representing 9,794,587 and 8,717,014 common shares of the Parent Company were exchanged at issue prices ranging from P80.44 to P113.24 as of December 31, 2014 and 2013, respectively.

On May 5, 2014, the Parent Company redeemed the remaining balance of the exchangeable bonds amounting to US\$213 million, in accordance with the terms and conditions of the said exchangeable bonds.

PREFERRED SHARES

Issuance of Series 2 Preferred Shares by Petron

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

On November 3, 2014, Petron issued and listed in the PSE 10,000,000 Series 2 Preferred Shares at an offer price of P1,000.00 per share. The Series 2 Preferred Shares were issued in two

subseries, (i) 7,122,320 Series 2A Preferred Shares (the “Series 2A Preferred Shares”) and (ii) 2,877,680 Series 2B Preferred Shares (the “Series 2B Preferred Shares”).

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

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

UNDATED SUBORDINATED CAPITAL SECURITIES

Issuance of the US\$300 Million Undated Subordinated Capital Securities by SMC Global

On May 7, 2014, the Parent Company through SMC Global, issued and listed on the SGX-ST, US\$300 million undated subordinated capital securities (the “Securities”) at an issue price of 100% of the face value of the Securities, at the rate of 7.50% per annum with a step-up date on November 7, 2019.

C. MATERIAL CHANGES PER LINE OF ACCOUNT

2015 vs. 2014

The Group’s consolidated total assets as of December 31, 2015 amounted to P1,246,022 million, P28,533 million higher than 2014. The increase is primarily due to the consolidation of the concession rights of: AAIBV (toll road concession rights to operate and maintain the SLEX and the Skyway) and MNHPI (port concession rights); the recognition of licenses upon the consolidation of LTHI and CTI; recognition of goodwill upon the consolidation of AAIBV on March 5, 2015; and increase in property plant and equipment particularly from SMC Global and Petron, net of the decrease in cash and cash equivalents.

Cash and cash equivalents decreased by P77,848 million mainly due to the redemption of the: a) preferred shares issued by Petron in 2010 and b) Series A and B preferred shares of PGL, and payment of short-term loans by Petron.

Trade and other receivables decreased by P28,511 million mainly due to: a) collection of Value-added Tax (VAT) claims by Petron; b) collection of non-trade receivables of SMHC; and c) lower trade receivable balance of GSMI due to improvement in collection over the year and lower sales revenue recorded for the month of December 2015.

Inventories decreased by P21,698 million due to lower volume and price of crude and finished products of Petron Philippines.

Prepaid expenses and other current assets increased by P20,773 million mainly due to the increase in: a) unutilized VAT credit certificates of Petron Philippines; b) excess of input VAT of SMC Global due to payments made for the purchase of materials and equipment and payment of labor for the construction of the new power plants; c) increase in input VAT and advances to

suppliers due to purchases made related to the ongoing project roll-out of BellTel; d) the consolidation of AAIBV Group's balance, particularly its prepaid taxes and restricted cash balance, partly offset by lower input tax on imported crude and finished products as a result of cheaper prices of Petron Philippines.

The decrease in assets held for sale was primarily due to the sale of the investment in shares of stock of Indophil by Coastal View.

Investments and advances decreased by P19,722 million in 2015 mainly due to the reclassification from investments in associates to investments in subsidiaries of the carrying amount of the investments in AAIBV Group, LTHI and MNHPI; reclassification to investments in subsidiaries of the advances for investment in CTI and the advances to DMCI Holdings, Inc. and D.M. Consuji, Inc. (collectively, "DMCI") for the acquisition of PIDC shares.

Property, plant and equipment increased by P42,029 million mainly due to the on-going plant construction of Limay Power Plant - Phase 1 and Phase 2, Davao Power Plant and additional capital expenditures on the RMP-2 project of Petron.

Investment property increased by P1,103 million mainly due to SMPI's acquisition of land in Makati and the return of property, a 33-hectare parcel of land located in Alfonso, Cavite, donated to Philippine Foundation of Blessed Mary Mother of the Poor, Inc.

Noncurrent portion of biological assets increased by P204 million as breeding stocks affected by typhoon Glenda were replenished.

Goodwill increased by P17,392 million mainly due to the consolidation of AAIBV Group.

Other intangible assets increased by P94,855 million mainly due to the consolidation of AAIBV's toll road concession rights to operate and maintain the South Luzon Expressway and the Stages 1 to 3 of the South Metro Manila Skyway and of MNHPI's port concession rights to maintain and operate the Manila North Harbor; recognition of additional concession rights for various infrastructure projects, namely: the NAIA Expressway, TPLEX and Boracay Airport in 2015; and the recognition of licenses due to the consolidation of LTHI and CTI.

Deferred tax assets increased by P1,790 million mainly due to the recognition by SMC of deferred tax assets on unrealized losses on foreign exchange, derivatives and retirement in 2015.

Loans payable decreased by P33,200 million in 2015 mainly due to the net payments made by Petron and SMPFC.

Accounts payable and accrued expenses decreased by P19,008 million mainly due to payments made by Petron to various contractors and suppliers, net of the increase in payable to suppliers and contractors pertaining to the on-going power plant construction in Davao and Bataan (Phase I and II) and consolidation of the balances of AAIBV Group.

Income and other taxes payable increased by P604 million mainly due to consolidation of AAIBV Group's balance.

Dividends payable decreased by P1,138 million mainly due to the payment in 2015 of the dividends payable by the Parent Company to its preferred stockholders which were outstanding in 2014.

The increase in long-term debt of P65,389 million was mainly due to the consolidation of AAIBV and MNHPI's balance, and the loan availments made by SMC Global to finance the ongoing construction of power plants in Davao and Limay; Vertex to fund the NAIA Expressway Project, CCEC to fund the Skyway Stage 3 Project and PIDC to fund the TPLEX Project, net of the payments made by SMC, SMPFC and Petron.

Deferred tax liabilities increased by P7,509 million due to the consolidation of AAIBV Group's balance and the recognition by Petron of deferred tax liabilities for the timing differences arising from capitalized pre-commissioning expenses of the RMP-2 Project.

The decrease in finance lease liabilities was mainly due to payments, net of interest and the effect of foreign exchange rate changes.

Other noncurrent liabilities increased by P20,470 million mainly due to: a) deposit for future stock subscription received by Vega; b) consolidation of MNHPI's concession fee; and c) increase in retirement liability of Petron due to the drop in the fair value of plan assets.

Equity reserve decreased by P1,559 million primarily due to the buy-out of 41.49% and 50% non-controlling interests in Sleep International (Netherlands) Cooperatief U.A. and Wiselink Investment Holdings, Inc., respectively, (collectively holds the toll road concession right of the STAR Project) and acquisition by Rapid Thoroughfares Inc. from DMCI of its 25.11% non-controlling interest in PIDC.

Reserve for retirement plan decreased by P2,330 million mainly due to the recognition of remeasurement loss on the retirement plan assets of Petron, SMC, SMB and GSMI, primarily attributable to the decline in fair market value of the investment in shares of stock held by the retirement plans.

Cumulative translation adjustments decreased by P3,149 million mainly due to the translation adjustments on the net assets of foreign subsidiaries, particularly of Petron and AAIBV.

Equity

The decrease in equity in 2015 is due to:

<i>(In millions)</i>	2015
Reissuance of treasury shares	P54,456
Income during the period	28,993
Issuance of capital stock	27
Net reduction to non-controlling interests and others	(3,527)
Other comprehensive loss	(8,152)
Cash dividends and distributions	(22,509)
Redemption of Subseries "2-A" preferred shares	(54,331)
	<u>(P5,043)</u>

2014 vs. 2013

The Group's consolidated total assets as of December 31, 2014 amounted to P1,217,489 million, P47,786 million higher than 2013. The increase is primarily due to the higher balances of cash and cash equivalents, property, plant and equipment and other intangible assets.

Cash and cash equivalents increased by P66,993 million mainly due to receipt of the proceeds from the sale of equity interest in Trustmark and Zuma and other related investments and advances, collection of the remaining balance of the receivable on the sale of Meralco shares from JG Summit and the proceeds from issuance of undated subordinated capital securities of SMC Global.

Trade and other receivables decreased by P34,099 million mainly due to collection of the remaining balance of the receivable on the sale of Meralco shares from JG Summit.

Prepaid expenses and other current assets increased by P14,370 million mainly due to the increase in the net input VAT of: a) Petron as a result of the importations of raw materials; b) SMC Global due to payments made for the purchase of materials and equipment and payment of labor for the construction of the new power plants; and c) Infra Group for the purchase of services, supplies and equipment related to the construction of TPLEX, NAIA Expressway, STAR and Boracay Airport Projects; and advances to the contractors of Vertex (NAIA Expressway Project) and PIDC (section 2 of TPLEX Project).

The increase in assets held for sale and the corresponding decrease in AFS financial assets pertains to the reclassification of the carrying value of investment in shares of stock of Indophil Resources NL from AFS financial assets.

Investments and advances decreased by P22,404 million in 2014 mainly due to the sale of the investment in shares of stock of Trustmark and Zuma and cancellation of subscription rights on investments and advances related to PAL and PAL express.

Property, plant and equipment increased by P28,564 million primarily due to the additional capital expenditures on the RMP 2 Project of Petron, the refurbishment of retail stations of Petron Malaysia, Phase 2 of the power plant in Limay, Bataan and the Greenfield project - new power plants in Davao and Limay, Bataan – Phase 1 of the Energy business.

Investment property decreased by P533 million mainly due to the reclassification of the cost of MDR Project of SMPI to property, plant and equipment, net of the acquisition of a property in Malabon by Brewery Properties, Inc. for future expansion of Polo Brewery.

Other intangible assets increased by P9,082 million mainly due to the recognition of additional toll road concession rights for the TPLEX Project, STAR Project, the NAIA Expressway Project and the Boracay Airport Project.

Deferred tax assets decreased by P957 million mainly due to the application of deferred taxes for Net Operating Loss Carry Over and Minimum Corporate Income Tax of the Parent Company against taxable income in 2014.

Other noncurrent assets decreased by P15,127 million mainly due to the partial collection by Petron of its receivables from Petron Corporation Employees Retirement Plan.

Loans payable increased by P36,833 million in 2014 mainly due to the net availments made by Petron in 2014, to fund the importation of crude oil and petroleum products.

Dividends payable decreased by P410 million mainly due to the payment in 2014 of the outstanding dividends payable in 2013 by the Parent Company to its common stockholders.

The decrease in long-term debt of P4,509 million was mainly due to the redemption of the

following: SMC exchangeable bonds and SMB bonds, net of availments used for the various capital projects of the Infrastructure, Energy and Fuel and Oil businesses.

Deferred tax liabilities decreased by P3,241 million primarily due to the reversal of deferred tax liability on the undistributed net earnings of foreign subsidiaries; and the effect of the: reversal of net pension asset into liability, net operating loss carry over, and payment of minimum corporate income tax by Petron.

The decrease in finance lease liabilities was mainly due to payments, net of the effect of interests and foreign exchange rate changes.

Other noncurrent liabilities decreased by P1,528 million mainly due to reclassification to current liabilities of the retention payable to the contractors of Petron's capital projects, net of the recognition of pension liability by Petron which resulted from the substantial reduction in the fair value of plan assets.

Reserve for retirement plan decreased by P2,006 million mainly due to the recognition of remeasurement loss on the plan assets of Petron.

Cumulative translation adjustments decreased by P207 million mainly due to the fair value adjustment on AFS financial assets, net of the share in other comprehensive income of associates and joint ventures.

Additional appropriations on retained earnings were made by SMC Global, SMCSLC, SMPFC, San Miguel Yamamura Asia Corporation and SMITS, Inc. mainly to finance future capital expenditures.

Non-controlling interests increased by P20,951 million primarily due to the issuance of undated subordinated capital securities by SMC Global and issuance of Series 2 Preferred Shares of Petron.

Equity

The increase in equity in 2014 is due to:

<i>(In millions)</i>	2014
Income during the period	P28,578
Addition to non-controlling interests and others	23,360
Issuance of capital stock	90
Other comprehensive loss	(3,639)
Cash dividends and distributions	(23,862)
	<u>P24,527</u>

IV. CASH FLOW

SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	December 31		
	2015	2014	2013
		<i>(In Millions)</i>	
Net cash flows provided by operating activities	P67,039	P39,432	P47,199
Net cash flows provided by (used in) investing activities	(58,818)	17,505	(24,679)
Net cash flows provided by (used in) financing activities	(88,253)	9,904	42,563

Net cash from operations basically consists of income for the period and changes in noncash current assets, certain current liabilities and others.

Net cash flows provided by (used in) investing activities are as follows:

	December 31		
	2015	2014	2013
		<i>(In Millions)</i>	
Cash and cash equivalents acquired from business combination, net of cash paid	P14,415	P -	P -
Interest received	4,136	3,481	3,476
Proceeds from sale of investments and property and equipment	2,607	66,945	72,962
Dividends received from associates	7	5	3,857
Additions to investments and advances	(3,544)	(6,314)	(26,814)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	(7,633)	(302)	(512)
Increase in other noncurrent assets and others	(8,833)	(7,359)	(11,783)
Additions to property, plant and equipment	(59,973)	(38,951)	(65,865)

Net cash flows provided by (used in) financing activities are as follows:

	December 31		
	2015	2014	2013
		<i>(In Millions)</i>	
Net proceeds from (payments of) short-term borrowings	(P34,135)	P37,827	(P12,008)
Proceeds from reissuance of treasury shares	54,201	-	-
Net proceeds from issuance of preferred shares and undated subordinated capital securities of subsidiaries	28,708	23,008	30,546
Increase (decrease) in non-controlling interests	(369)	205	(1,616)
Proceeds from issuance of capital stock	27	7	69
Cash dividends paid	(23,649)	(24,273)	(21,405)
Payments of finance lease liabilities	(22,296)	(20,152)	(19,168)
Net proceeds from (payments of) long-term borrowings	3,978	(6,718)	66,145
Redemption of preferred shares	(94,718)	-	-

The effect of exchange rate changes on cash and cash equivalents amounted to P2,184 million, P152 million and P1,023 million on December 31, 2015, 2014 and 2013, respectively.

V. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The unappropriated retained earnings of the Parent Company is restricted in the amount of P67,093 in 2015 and 2014 and P67,166 in 2013, representing the cost of common shares held in treasury.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures not available for declaration as dividends until declared by the respective investees.

VI. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Financial Performance” of the MD&A for the discussion of certain Key Performance Indicators.

	December 31	
	2015	2014
Liquidity:		
Current Ratio	1.32	1.50
Solvency:		
Debt to Equity Ratio	2.24	2.12
Asset to Equity Ratio	3.24	3.12
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	5.20%	6.33%
Interest Rate Coverage Ratio	3.35	2.98
Operating Efficiency:		
Volume Growth	10%	3%
Revenue Growth	(13%)	4%
Operating Margin	11.68%	7.21%

The manner by which the Group calculates the key performance indicators is as follows:

KPI	Formula
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left(\frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left(\frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

VII. OTHER MATTERS

▪ Event After the Reporting Date

On February 24, 2016, the BOD of PSE approved the listing application of the Parent Company of up to 975,571,800 shares of Series “2” Preferred Shares under shelf registration (the “Shelf Registered Shares”) and the offering of up to 400,000,000 shares of Series “2” Preferred Shares (the “First Tranche”) with a par value of P5.00 and an offer price of P75.00 per share. The SEC approved the shelf registration of the Shelf Registered Shares and issued a permit to sell covering the same on March 8, 2016.

The Parent Company offered the “First Tranche” of (i) up to 280,000,000 shares of Series “2” Preferred Shares consisting of Subseries “2-G”, “2-H” and “2-I” and (ii) up to 120,000,000 shares of Series “2” Preferred Shares to cover the oversubscription option. The First Tranche will be re-issued and offered from the Series “2” Preferred Shares held in treasury. The offer period was from March 14 to March 18, 2016. The First Tranche was issued on March 30, 2016 which is also the listing date of the Shelf Registered Shares.

The remaining 575,571,800 Shelf Registered Shares will be issued within a period of three years. The offer shares shall be issued from the remaining Series “2” Preferred Shares Subseries “2-A” held in treasury and unissued shares of Series “2” Preferred Shares.

Dividend rates are 6.5793%, 6.3222%, 6.3355% per annum for Subseries “2-G”, “2-H” and “2-I”, respectively.

Following the completion of the Parent Company's follow-on offering of 280,000,000 Series "2" Preferred Shares, with an oversubscription option of 120,000,000 Series "2" Preferred Shares, the Parent Company shall reissue the following Series "2" Preferred Shares held in treasury: (i) 244,432,686 Series "2" Preferred Shares; and (ii) 155,567,314 Subseries "2-A" Preferred Shares (collectively, the "Offer Shares"). The Series "2" Preferred Shares were Series "1" Preferred Shares held in treasury that were reclassified to Series "2" Preferred Shares on June 9, 2015.

After reissuance of the Offer Shares on March 30, 2016, the Parent Company shall have a remaining 565,445,086 Subseries "2-A" Preferred Shares held in treasury. There are no more Series "2" Preferred Shares held in treasury.

- 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.

- a. Deficiency Excise Tax

On April 12, 2004 and May 26, 2004, the Parent Company was assessed by the Bureau of Internal Revenue (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 Dstraint 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 Dstraint and Garnishment and/or Levy against the Parent Company, especially in view of the Parent Company's pending claims for refund.

As of December 31, 2015, the BIR has taken no further action on the matter.

On July 24, 2009, the Parent Company filed its third claim for refund with the CTA (3rd Division), under CTA case number 7953, also in relation to the contested assessments. This case is still undergoing trial.

On January 7, 2011, the CTA (3rd Division) under CTA case number 7708 rendered its decision in this case, granting the Parent Company's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of the Parent Company in the amount of P926 million, 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 million, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005.

A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision has been denied and the Commissioner elevated the decision to CTA *En Banc* for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA *En Banc* Decision was later elevated by the Office of the Solicitor General to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045. Both cases are now with the Third Division.

In a Resolution dated July 21, 2014, a copy of which was received by the Parent Company's counsel on August 27, 2014, the Third Division of the Supreme Court required the parties to submit memoranda. Both the Parent Company's counsel and the BIR Commissioner, through the Office of the Solicitor General, have filed their respective Memoranda. The two cases are deemed submitted for decision.

In the meantime, effective October 1, 2007, the Parent Company spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR.

On September 28, 2009, SMB filed a claim for refund with the CTA (3rd Division) under CTA case number 7973; on December 28, 2010, its second claim for refund with the CTA (1st Division) under case number 8209; on December 23, 2011, its third claim for refund with the CTA (3rd Division) under case number 8400; on July 30, 2012, its fourth claim for refund under case number 8591; and on December 19, 2013, its fifth claim for refund with the CTA (2nd

Division) under case number 8748. CTA case numbers 7973, 8209, 8400, and 8591 have all been decided by the respective CTA Divisions, where they are pending, in favor of the Parent Company. The counsel for the BIR Commissioner are now in the process of appealing to the CTA *En Banc* the decisions rendered by the CTA Divisions in CTA case numbers 7973 and 8400. On the other hand, the decision in CTA case number 8209 has been declared final and executory by the CTA Division concerned for failure on the part of the BIR Commissioner to file a Motion for Reconsideration on the decision. In CTA case number 8591, the BIR Commissioner filed a Motion for Reconsideration, which we opposed and which has been denied. With respect to CTA Case number 8748, the same is still undergoing trial in the Second Division. In December 2014, SMB filed its sixth claim for refund with the CTA under case number 8955. The BIR has asked for additional time to file its Answer. In December 2015, SMB filed its seventh claim for refund with the CTA under case number 9223, for refund of overpayments for the period of January 1, 2014 to December 31, 2014. The said case is still undergoing trial.

b. Deficiency Tax Liabilities

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on Iconic Beverages, Inc. (IBI) deficiency tax liabilities, including interest and penalties, for the tax year 2009. IBI treated the royalty income earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to 20% final tax. However, the BIR is of the position that said royalty income is regular business income subject to the 30% regular corporate income tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued on January 7, 2013, the BIR denied IBI's protest and reiterated its demand to pay the deficiency income tax, including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case was docketed as CTA Case No. 8607 with the First Division. On August 14, 2015, the CTA partially granted the Petition for Review of IBI, by cancelling the compromise penalty assessed by the BIR. However, IBI was still found liable to pay the deficiency income tax, interests and penalties as assessed by the BIR. The Motion for Reconsideration was denied by the CTA's First Division on January 6, 2016. On January 22, 2016, IBI filed its Petition for Review before the CTA *En Banc* and the case was docketed as CTA EB Case No. 1417. The petition is pending before the CTA *En Banc*.

On November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice for tax year 2010 (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013. A Petition for Review was filed with the CTA and the case was docketed as CTA Case No. 8813. The case has been submitted for decision.

c. Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to its use of P659 million worth of Tax Credit Certificates (TCCs) to pay certain excise

tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CTA in its Resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition is still pending as of December 31, 2015.

d. Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 reclassifying the areas occupied by the oil terminals of Petron, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. In December 2002, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance No. 8027. In April 2003, Petron filed a petition with the Regional Trial Court (RTC) to annul Ordinance No. 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance No. 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance No. 8119), which applied to the entire City of Manila. Ordinance No. 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance No. 8119, which was thought to effectively repeal Ordinance No. 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance No. 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance No. 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, Petron also filed a petition before the RTC of Manila praying for the nullification of Ordinance No. 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, Petron, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance No. 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance No. 8027.

In May 2009, the Mayor of Manila approved Ordinance No. 8187, which amended Ordinance No. 8027 and Ordinance No. 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012 (August 24 Decision), the RTC of Manila ruled that Section 23 of Ordinance No. 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance No. 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance No. 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance No. 8119. Petron filed with the RTC a Notice of Appeal to the CTA on January 23, 2013. The parties have filed their respective briefs. As of December 31, 2015, the appeal remained pending.

With regard to Ordinance No. 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinder of its implementation. Petron filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016.

On November 25, 2014, the Supreme Court issued a Decision (November 25 Decision) declaring Ordinance No. 8187 unconstitutional and invalid with respect to the continued stay of the oil terminals in Pandacan. Petron, Shell and Chevron were given 45 days from receipt of the November 25 Decision to submit a comprehensive plan and relocation schedule to the RTC of Manila and implemented full relocation of their fuel storage facilities within six months from the submission of the required documents. On March 10, 2015, acting on a Motion for Reconsideration filed by Shell, a Motion for Clarification filed by Chevron, and a Manifestation filed by Petron, the Supreme Court denied Shell's motion with finality and clarified that relocation and transfer necessarily included removal of the facilities in the Pandacan terminals and should be part of the required comprehensive plan and relocation schedule. On May 14, 2015, Petron filed its submission in compliance with the November 25 Decision.

e. Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTC and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims amounted to P292 million. The cases were pending as of December 31, 2015.

f. Dispute between South Premiere Power Corporation (SPPC) and PSALM

SPPC and PSALM are parties to the Independent Power Producer Administration (IPPA) Agreement (the "Ilijan IPPA Agreement") covering the appointment of SPPC as the independent power producer administrator of the Ilijan Power Plant.

SPPC and PSALM have an ongoing dispute arising from differing interpretations of certain provisions related to generation payments under the Ilijan IPPA Agreement. As a result of such dispute, the parties have arrived at different computations regarding the subject payments. In a letter dated August 6, 2015, PSALM has demanded payment of the difference between the generation payments, calculated based on its interpretation and the amount which has already been paid by the SPPC, plus interest, covering the period December 26, 2012 to April 25, 2015.

On August 12, 2015, SPPC initiated a dispute resolution process with PSALM as provided under the terms of the Ilijan IPPA Agreement, while continuing to maintain that it has fully paid all of its obligations to PSALM. Notwithstanding the bonafide dispute, PSALM issued a notice terminating the Ilijan IPPA Agreement on September 4, 2015. On the same day, PSALM also called on the Performance Bond posted by SPPC pursuant the Ilijan IPPA Agreement.

On September 8, 2015, SPPC filed a Complaint with the Regional Trial Court of Mandaluyong City. In its Complaint, SPPC requested the Court that its interpretation of the relevant provisions of the Ilijan IPPA Agreement be upheld. The Complaint also asked that a 72-hour Temporary Restraining Order (the "TRO") be issued against PSALM for illegally terminating the Ilijan IPPA Agreement and drawing on the Performance Bond. On even date, the Court issued a 72-hour TRO which prohibited PSALM from treating SPPC as being in Administrator Default and from performing other acts that would change the *status quo* ante between the parties before PSALM issued the termination notice and drew on the Performance Bond. The TRO was extended for until September 28, 2015.

On September 28, 2015, the Court issued an Order granting a Preliminary Injunction enjoining PSALM from proceeding with the termination of the Ilijan IPPA Agreement while the main case is pending.

On October 22, 2015, the Court also issued an Order granting the Motion for Intervention and Motion to Admit Complaint-in-intervention by Meralco. Currently pending for resolution of the Court are: 1) PSALM's Motion for Reconsideration of the Order granting the Preliminary Injunction; and 2) PSALM's Motion to Dismiss. The preliminary conference among the parties scheduled on February 18, 2016 was reset to April 14, 2016.

Meanwhile, there are no restrictions or limitations on the ability of SPPC to supply power from the Ilijan Power Plant to Meralco under its Power Supply Agreement with the latter.

By virtue of the Preliminary Injunction issued by the Court, SPPC continues to be the IPPA for the Ilijan Power Plant.

▪ *Commitments*

The outstanding purchase commitments of the Group amounted to P88,827 million as of December 31, 2015.

Amount authorized but not yet disbursed for capital projects is approximately P87,610 million as of December 31, 2015.

▪ *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P47.06 and P44.72 in 2015 and 2014, respectively, for consolidated statements of financial position accounts; and average rates of P45.50, P44.39 and P42.43 in 2015, 2014 and 2013, respectively, for income and expense accounts.

▪ *Temporary Restraining Order (TRO) Issued to Meralco*

On December 23, 2013, the Supreme Court issued a TRO, effective immediately, preventing Meralco from collecting from its customers the power rate increase pertaining to November 2013 billing. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by generators, including SMEC and SPPC, is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. Further, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The price will be effective for 90 days until a new cap is decided upon.

On January 16, 2014, the Supreme Court granted Meralco's plea to include other power supplier and generation companies, including SMEC and SPPC, as respondents to an inquiry. On February 18, 2014, the Supreme Court extended the period of the TRO until April 22, 2014 and enjoined the respondents (PEMC and the generators) from demanding and collecting the deferred amounts.

On March 3, 2014, the ERC issued an order declaring the November and December 2013 Luzon WESM prices void and imposed the application of regulated prices. Accordingly, SMEC, SPPC and SPDC recognized a reduction in the sale of power while SMELC recognized a reduction in its power purchases. Consequently, a payable and receivable were also recognized for the portion of over-collection or over-payment. The settlement of which shall be covered by a 24-month Special Payment Arrangement agreed with PEMC which took effect in June 2014 up to May 2016. On June 26, 2014, SMEC, SPPC and SPDC filed with the Court of Appeals a Petition for Review of these orders. The case is still pending resolution with the Court as of December 31, 2015.

- *Electric Power Industry Reform Act of 2001*

R.A. No. 9136, otherwise known as the EPIRA sets forth the following: (i) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (ii) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (iii) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements.

The EPIRA requires generation and distribution utility (DU) companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning more than 30% of the installed generating capacity of a grid and/or 25% of the national installed generating capacity.

- Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.
- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management's Discussion and Analysis of Financial Position and Financial Performance.
- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual

reporting date, except for Note 25 (c) of the 2015 Audited Consolidated Financial Statements and “Contingencies” of Section VII above, that remain outstanding as of December 31, 2015. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.

- The effects of seasonality or cyclicity on the interim operations of the Group’s businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period December 31, 2015.