A. SORIANO CORPORATION

ANSCOR

2015 ANNUAL REPORT

ANSCOR

CONCURRENT RESOLUTION OF THE BOARD OF DIRECTORS

The Board of Directors of A. Soriano Corporation by unanimous concurrence, submits herewith the Statement and Annual Report of the Chairman of the Board and President of the Corporation as its own Report to the Stockholders for the year ended December 31, 2015.

CHAIRMAN'S MESSAGE

ANDRES SORIANO III

The domestic economy will benefit from government's PPP and public spending.

THE ECONOMIC PICTURE

The year 2015 saw Domestic Product grow by 5.8%, a modest drop from the previous year's 6.1%. The service sector continued to hold ground at 6.7%. Government spending increased from 1.8% to 9.4% and household expenditures were up from 5.4% to 6.2%. In contrast, agriculture registered a decline from 1.6% to 0.2% as a result of numerous typhoons affecting several key agricultural provinces. "The agriculture sector is not just stagnant, it is deteriorating and the next administration should initiate improvements in this sector and make it a priority policy."* Total exports fell by 3.2%, from US$86.9 billion in 2014 to US$84.1 billion in 2015 while imports rose more than expected.

On the positive side, inflation dropped to 1.4% from 4.1% in 2015, as a result of lower food and oil prices. The Philippines featured positively on the world stage as it hosted Heads of State at global conferences and the visit of Pope Francis.

The US recovery is tentatively on track despite global unease and the improvement in its economy is expected to stabilize and support the slower growth of the rest of the world. The Philippine peso and most other currencies weakened as the US currency strengthened.

******FILIPINO WORLDVIEW by Roberto Romulo (The Philippine Star) March 4, 2016.*

The domestic economy will remain fairly strong with private consumption supported by OFW remittances (albeit at a slower pace caused by lower oil prices), and the expanding Business Process Outsourcing sector. The investment account will benefit from an acceleration in the government's Public Private Partnership program and public spending will pick up ahead of presidential elections this May.

2015 FINANCIAL PERFORMANCE

In 2015, your Company achieved a consolidated net income of ₱1.3 billion, lower than the ₱2.0 billion net profit reported last year, despite achieving higher consolidated revenues of ₱10.6 billion against ₱4.3 billion of 2014.

Increased revenues were contributed by Phelps Dodge International Philippines, Inc. (PDP), Cirrus Medical Staffing, Inc. and Seven Seas Resorts and Leisure, Inc.

Two factors contributed to the decrease in net income.

First, there was a lower gain on the sale of traded shares from ₱1.7 billion in 2014 to ₱1.1 billion in 2015. Second, the Company set up a provision of ₱805.2 million for our investments that experienced challenges in 2015 and which are expected to continue into 2016. Anscor's net profit in 2015 before valuation allowances amounted to ₱2.1 billion, slightly higher than the ₱2.0 billion net income posted last year.

Our core investments in traded shares which include Aboitiz Power Corporation, International Container Terminal Services, Inc., iPeople, other marketable equity holdings and our investment in KSA Realty Corporation generated a dividend income of ₱209.7 million in 2015. Interest income of ₱83.3 million was lower than the ₱96.4 million income of the previous year.

With the depreciation of the Philippine peso against the US dollar, the value of Anscor's foreign currency-denominated investments improved and were offset by the Group's dollar-denominated loans. This resulted in a net consolidated foreign exchange loss of ₱28.9 million against ₱10.0 million in 2014.

The share in the earnings of our operating investments amounted to ₱154.0 million, ahead of last year's ₱147.1 million. This was attributable to the profit reported in 2015 by AG&P from the renegotiated contracts with its customers, which offset the net loss of the previous year. In 2014, our share in the net profit of PDP was lodged in equity earnings. With Anscor's increased stake in PDP from 40% to 100% as of December 31, 2014, PDP was fully consolidated in 2015 and no longer reflected in equity in net earnings.

During the year, your Company paid total cash dividends of ₱0.35 per share: ₱0.25 per share on January 7, 2015 and ₱0.10 per share on May 29, 2015.

Your Company's book value per share decreased from ₱11.94 to ₱10.99 as of December 31, 2015, mainly due to a significant decline in the value of our traded equities.

ANSCOR GROUP OPERATIONS

PHELPS DODGE INTERNATIONAL PHILIPPINES, INC. (PDP)

The continued strong growth in the construction sector pushed PDP's profit to another record high of ₱574.4 million, a 7.3% increase from 2014, despite lower copper prices and higher interest expense. While revenues dropped from ₱6.6 billion to ₱6.1 billion due to lower commodity prices, sales in metric tons were about the same in 2015 against that of 2014.

PDP won several large projects due to its offerings of products, services and customer solutions.

Strong cost controls, new product sales, consistent marketing efforts and a better sales mix all contributed to a strong performance. Although sales to the utilities and manufacturers declined due to competition from lower-priced imports, sales to the construction segment grew by 8%.

PDP's continued thrust to expand its offerings of products, services and customer solutions enabled the company to win several large projects. PDP strengthened its operational edge by adding new equipment that increased production capacity, capability and flexibility.

The in-house programs on production methods and processes for employee safety, efficient machine use and better product quality, continue to be vital elements of the company's operating objectives.

Financially, the company's balance sheet remains strong. Long- and short-term debt of ₱1.5 billion funded a portion of Anscor's acquisition of 60% of the company from General Cable. Cash flows remain strong, servicing both debt and dividend commitments. Anscor was paid a dividend of ₱1.6 billion in 2015.

SEVEN SEAS RESORTS AND LEISURE, INC. (OWNER OF AMANPULO RESORT)

The Resort generated total revenue of ₱644.5 million, an increase of 22.3% compared to the previous year's ₱527.1 million. Occupancy rate grew by 12.8% to 47.2% versus 34.4% in 2014. The average room rate of $1,117 was in line with the previous year's $1,168 and a weaker peso contributed to the higher revenue.

In 2015, Amanpulo digested the major refurbishment of the last two years that has led to improvements in many areas. Traditional source markets showed strong growth, with the Philippines and the US standing out, reaching record increases of 49% and 69%, respectively.

Total number of villa rentals increased by 27%, from 707 nights to 901 nights in 2015. The Resort's villa management and handling fees amounted to ₱75.1 million compared to last year's ₱63.2 million, an increase of 18.8%.

Gross operating profit (GOP) of 30.5% in 2015 was up from last year's 19.6%, a ₱93.6 million increase. Amanpulo committed to increasing flights throughout the low season to allow two flights daily, year-round for the first time. This resulted in a considerable increase in air charter costs affecting GOP negatively.

The Resort completed the renovation of the beach club in 2015. For 2016, the purchase of a new generator, a desalination plant and new roofing for the beach and the lagoon clubs are scheduled. The upgrade of back-of-house facilities for the staff, namely bathrooms, canteen, recreation area and cottages are scheduled for completion in the first quarter of 2016.

Cirrus reported all-time high revenues of ₱1.9 billion.

The Seven Seas' villa development division generated a handling fee of ₱56.5 million and a profit of ₱118.9 million on a villa sale. Four villas under construction last year were turned over during the first half of 2015. Two villas remain under construction and are slated for completion within the third quarter of 2016.

Total consolidated results of both the resort and the villa development operations rose to ₱165.9 million net income versus the ₱32.3 million net loss reported last year.

CIRRUS MEDICAL STAFFING, INC./ CIRRUS GLOBAL INC.

Demand for temporary healthcare staff in the United States grew approximately 17% in 2015, driven by an improving economy and an increase in hospital admissions due to the Affordable Health Act. According to the US Congressional Budget Office, there were 17 million newly insured people in 2015. The increase in patient volumes drove strong demand in virtually all areas of healthcare staffing.

For 2015, the company reported ₱1.9 billion in consolidated revenue, an all-time high and a 48% increase over that of 2014. Sales growth was underpinned by growth in the Travel Nursing business.

The Travel Therapy business also grew and reversed the declines seen over the previous two years, which had been due to regulatory changes in Medicare reimbursements and customer consolidation. To cope with the increased demand, the company added selectively to its account management and back office capabilities.

Consolidated operating income was ₱175.7 million, compared to an operating income of ₱51.9 million in 2014. Improved profitability was driven by top-line growth, steady gross margins and the control of sales and general administration expenses.

Cirrus Global's direct placement business in Abu Dhabi, United Arab Emirates, continued to do well in partnership with one of the most sophisticated healthcare providers in the region.

AG&P INTERNATIONAL HOLDINGS LTD.

AG&P revenues grew by 66% to US$355.4 million in 2015, as the Ichthys and Yamal LNG projects peaked in work progress and in revenue accrual. EBITDA increased by 471% to US$26.6 million, as selling and general and administrative expenses decreased by 5%, despite the uptick in operating activity.

AG&P ended 2015 with a net income of US$12.1 million, a significant turn-around from the previous year's net loss of US$2.7million.

The focus for 2016 will be on completing the Ichthys and Yamal LNG projects, achieving greater operational efficiencies and most critically, being able to close on new major projects both locally and abroad, despite the challenging macroeconomic environment in the oil and gas industry.

ENDERUN COLLEGES, INC.

For the fiscal year June 1, 2014 to May 31, 2015, Enderun Colleges posted a consolidated net income of ₱94.2million. Enderun's adjusted EBITDA for fiscal year 2014 to 2015 was ₱139.1 million, 17% higher than that of the previous period.

As of May 31, 2015, the company's cash position stood at ₱121.2 million and the College is debt-free. During the year, it paid cash dividends of ₱75.7 million, of which ₱15.6 million accrued to Anscor.

Enderun's student population has grown to close to 1,200 full-time college and certificate students, spread almost evenly across the school's three main degree offerings in Hospitality Management, Business Administration and Entrepreneurship.

There has been significant growth in Enderun's continuing education unit, Enderun Extension. Its revenues rose 21% year-on-year to ₱70.2 million. A key driver of growth in this segment has been the College's language training and tutorial business. Enderun recently launched its first off-campus tutorial center, branded *The Study,* at the Podium Mall in Ortigas Center. This will be the first of several branches to be rolled out.

The College's hotel management and consultancy arm, Enderun Hospitality Management (EHM), which was launched in 2014, is off to a great start with several hotel and resort properties already under Enderun management. With the F&B and hospitality expertise of the College, EHM is expected to deliver double-digit growth rates in the years to come.

Enderun is fully complying with the K to 12 program mandated by the 2013 Enhanced Basic Education Act (RA 10533). It expects to mitigate the impact on enrolment by reconfiguring its academic year and by growing its other business lines.

Enderun continues to strengthen its position in the premium sector of higher education.

Enderun continues to strengthen its position in the premier market for higher education, in hospitality and in business management. The College will soon launch a new major in Sustainability, further cementing Enderun's position as the college of choice for career-focused students.

PROPLE LIMITED

In 2015, Prople Limited faced multiple challenges related to the 2013 acquisition of Kellogg & Andelson, a US accounting firm that provides tax, general accounting and bookkeeping services to small and medium-sized companies in California and the Midwestern part of the United States. There was a 15% year-on-year decrease in revenue in 2015, largely attributable to the closure of Kellogg & Andelson's San Diego office and client attrition in the Midwest.

In 2016, management will endeavor to strengthen the operating model, senior leadership team and client satisfaction, while the company's Board of Directors evaluates the future direction of this acquisition.

KSA REALTY CORPORATION

In 2015, KSA Realty Corporation experienced strong performance in its leasing operation resulting in a net income of ₱1.3 billion, an 85% improvement on net profit for the same period last year, at a 96% occupancy rate. The 2015 net income included a net gain of ₱517.0 million on fair value adjustment of KSA's investment property which appreciated to ₱8.9 billion.

By converting the foodcourt of The Enterprise Center, leasable area increased by 841 square meters with definite prospects already lined up and a possible handover of the space to the new tenant in the first quarter of 2016. The company will continue to invest in improving leasable spaces and common areas of the building in 2016, and among other projects, completely refurbish the lobby and restroom areas. The Enterprise Center continues to maintain its reputation as one of the premiere office buildings in the Makati Business District.

During the year, KSA paid cash dividends of ₱600.0 million, of which ₱68.5 million accrued to Anscor.

PREDICTIVE EDGE TECHNOLOGIES, LLC

Predictive Edge Technologies is an early-stage technology company. Currently, the company has eight patents pending or awarded. Its subsidiary, Behavior Matrix LLC, is a world class emotional and behavior analytics platform that gives companies and organizations a unique way of understanding their audiences. With advanced mathematics, analytical algorithms and big data harvesting, Behavior Matrix provides insights that guide clients in their business intelligence and marketing strategies.

In 2015, Behavior Matrix's year-over-year sales fell 73%. Sales for the year were $524,323, down from $1,953,705 the prior year. The drop was due to a decline in revenue from the political customer segment, a cyclical business that the company has exited. It is currently focused on the pharmaceutical, military intelligence and media sectors and is evaluating strategic options, including the sale of Behavior Matrix LLC.

NEW PROJECT

In 2014, Anscor extended a convertible loan to three geothermal project companies of the Red Core Group and under the Department of Energy's regulation. The loan has funded the exploration of potential geothermal energy resources in the volcanically active areas of Tiaong-Dolores (Quezon), Tayabas-Lucban (Quezon) and San Juan (Batangas).

Once a geothermal resource is identified using geology, geochemistry and geophysics (sub-surface imaging using electromagnetic properties), exploration drilling is done to validate the extent of the geothermal resource and measure its capacity potential. With a successful outcome, a power plant can be planned and built.

To date, two potential geothermal resources have been identified within the Tiaong-Dolores contract area and studies continue in Tayabas-Lucban (Quezon) and San Juan (Batangas).

CORPORATE SOCIAL RESPONSIBILITY

There are two significant milestones in our Foundation's history: December 2015, the 50th year of our cancer care program, and May 2016, the 30th year of our small islands development program.

Each of these years proves the Andres Soriano Foundation's (ASF) commitment to improve the quality of life of Filipinos in areas we serve through programs and projects with lasting impact.

We are extremely grateful for the support of our partners, stakeholders and especially donors whose steadfast commitment and trust in the Foundation have never faltered throughout the years. We are honored and humbled to be chosen as their conduit to their chosen charity.

SMALL ISLAND SUSTAINABLE DEVELOPMENT PROGRAM

On the 30th year of its Small Island Program, ASF has reached over 30 geographically-isolated and disadvantaged small island and coastal villages in Northeastern Palawan as it empowers these communities to improve the quality of life.

The Foundation's Environment Protection Program continues to be its centerpiece development initiative with the Coastal Resource Management Project supporting protection and management of marine sanctuaries including mangrove planting (4,600 seedlings), coastal clean-up and solid waste segregation activities.

Building Hope. Igniting Dreams.

The yearly Health Caravan provided medical consultation to 4,357 patients versus last year's 2,533 and supported 710 versus 385 malnourished children in 2014.

Cancer Care Program

Efforts were intensified to increase awareness of cancer through our 24th Annual Andres Soriano, Jr. Memorial Lecture, another 30-year milestone, held in Sto. Tomas, Batangas.

Its Oncology Fellowship Program came full circle on the program's 50th year, with 28 doctors sponsored for Oncology Fellowship and 22 nurses provided scholarships for the Oncology Nursing Course. True to its commitment, ASF continues to support the 5-year chemotherapy maintenance medicines of 46 Stage 2 breast cancer patients at the UP-PGH Cancer Institute.

OUTLOOK AND STRATEGY

While the Philippine economy is projected to pick up in 2016, we will adapt to any major change in the environment in which we operate and adjust to the economic landscape as it impacts our businesses, our strategic decisions and our shareholders.

Anticipating what lies ahead, we will closely monitor developments in the oil and gas industry where the slowdown will impact on AG&P. The need to improve the country's infrastructure opens opportunities in which AG&P can be involved. There was a 51% increase in public spending in the last quarter of 2015, creating demand for construction materials and solutions which, if sustained will present opportunities for both AG&P and PDP.

The Philippine Stock Market also bears close watching since we have holdings in traded shares whose values have dropped considerably.

Through all this, your Company will continue its tight watch on the portfolio of diverse businesses that you, our shareholders, have entrusted to us. While disruptions are part of our times, we have confidence in our people and in the judgment of corporate leadership to manage these uncertainties.

The Company will adjust to the economic landscape as it impacts on our businesses.

ACKNOWLEDGMENT

To all our valued shareholders, customers, employees and partners, we would like to express our appreciation for your support, trust and confidence in the leadership of the Anscor Group and all its member companies.

Together, we will continue to grow our companies not only into viable and leading institutions but also into even more socially relevant and responsible corporate citizens that move the country forward. On behalf of the Board of Directors, thank you.

FINANCIAL HIGHLIGHTS

(In Million Pesos Except for Ratios and Per Share Data)

CONSOLIDATED FOR THE YEAR	2015	2014 (Note 1)	2013 (Note 1)
REVENUES	**10,600.0**	4,258.43	3,525.1
Sale of goods (Note 1)	**6,102.3**	–	–
Services	**2,691.0**	1,966.1	1,812.1
Gain on sale of available-for-sale investments and investments in associates	**1,091.2**	1,718.0	1,101.9
Sale of real estate	**293.0**	–	82.0
Dividend income	**209.7**	260.9	238.0
Equity in net earnings of associates	**154.0**	147.1	228.9
Interest income	**83.3**	96.4	95.6
Loss on decrease in market values of fair value through profit or loss investments	**(25.7)**	(9.5)	(102.8)
Management fee (Note 1)	**–**	78.3	58.9
Other income	**1.2**	0.9	10.5
NET INCOME*	**1,282.8**	2,041.1	1,358.0
EARNINGS PER SHARE**	**1.03**	1.63	1.08

CONSOLIDATED AT YEAR-END	2015	2014	2013
Total Assets	**19,493.2**	21,426.4	17,326.5
Equity Attributable to Equity Holdings of the Parent	**13,556.7**	14,835.2	13,637.9
Investment Portfolio	**11,859.4**	14,310.0	14,721.3
Current Ratio	**2.14**	1.27	1.96
Debt to Equity Ratio	**0.41**	0.41	0.24
Book Value Per Share***	**10.99**	11.94	10.82

Note 1 PDP Group's revenues, costs and expenses were not included in 2014 and 2013 since PDP was still an associate then. In 2015, PDP Group was consolidated when Anscor increased its holding from 40% to 100%. Management fee from PDP Group was eliminated in the line by line consolidation.

** Attributable to equity holdings of the parent.*

*** Based on weighted average number of shares of 1,244.6 million in 2015, 1,254.0 million in 2014 and 1,261.0 million in 2013.*

**** Based on outstanding shares of 1,233.7 million, 1,242.1 million and 1,261.0 million as of December 31, 2015, 2014 and 2013. respectively.*

ANSCOR GROUP
KEY FINANCIAL DATA

(In Million Pesos)

	2015	2014
PHELPS DODGE PHILIPPINES ENERGY PRODUCTS CORPORATION (NOTE 1)		
Revenues	**6,102**	6,552
Net Income	**574**	536
Total Assets	**3,489**	3,327
Equity	**1,872**	2,905
CIRRUS MEDICAL STAFFING, INC. AND SUBSIDIARIES		
Revenues	**1,850**	1,251
Net Income	**109**	32
Total Assets	**1,041**	883
Equity	**912**	759
SEVEN SEAS RESORTS AND LEISURE, INC.		
Revenues (resort operations)	**645**	527
Net Income (Loss) - Note 2	**166**	(32)
Total Assets	**1,799**	1,655
Equity	**731**	766
REVENUES – OTHER AFFILIATES		
KSA Realty Corporation	**992**	900
Prople Limited	**443**	508
Enderun Colleges, Inc.	**493**	457
Island Aviation, Inc.	**177**	168
Cirrus Global, Inc. (consolidated; formerly IQMAN)	**64**	39

Available figures as of March 11, 2016.
Note 1: Inclusive of PD Energy International Corporation's financial information.
Note 2: Including villa development division's net gain on sale of a villa of ₱118.9 million in 2015.

FIVE-YEAR REVIEW

Consolidated Financial Information

(In Million Pesos Except Per Share Data)

YEAR	NET INCOME	EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT	WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	EARNINGS PER *SHARE	BOOK VALUE PER **SHARE
2015	**1,282.8**	**13,556.7**	**1,244.6**	**1.03**	**10.99**
2014	2,041.1	14,835.2	1,254.0	1.63	11.94
2013	1,358.0	13,637.9	1,261.0	1.08	10.82
2012	1,467.9	12,211.7	1,374.3	1.07	9.71
2011	993.4	11,293.3	1,350.7	0.74	8.69

YEAR	GROSS ***REVENUE	TOTAL ASSETS	INVESTMENT PORTFOLIO
2015	**10,600.0**	**19,493.2**	**11,859.4**
2014	4,258.4	21,426.4	14,310.0
2013	3,525.1	17,326.5	14,721.3
2012	3,716.5	13,949.9	11,551.6
2011	2,807.8	12,550.1	10,519.4

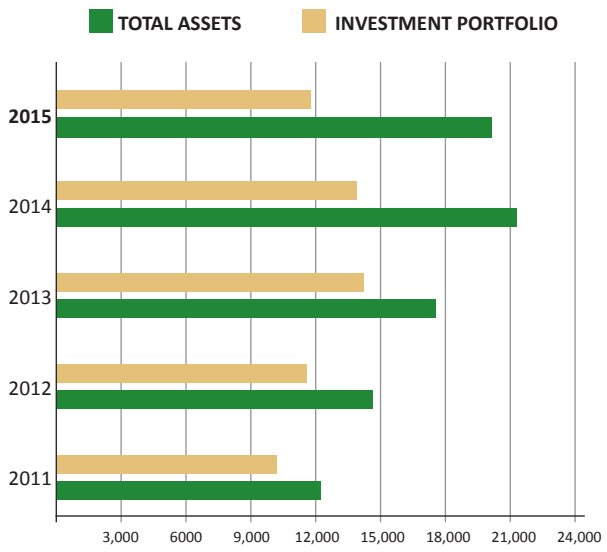
* *Ratio of net income to weighted average number of shares outstanding during the year.*

** *Ratio of equity attributable to equity holdings of the parent to outstanding number of shares as of end-December.*

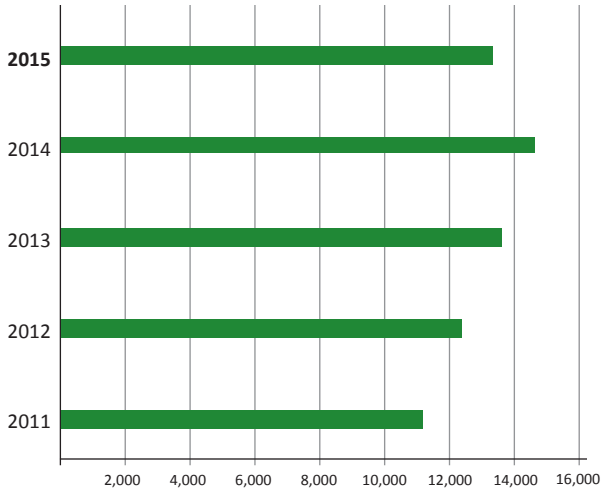
*** *2015 included PDP Group's gross revenues.*

(In Million Pesos)

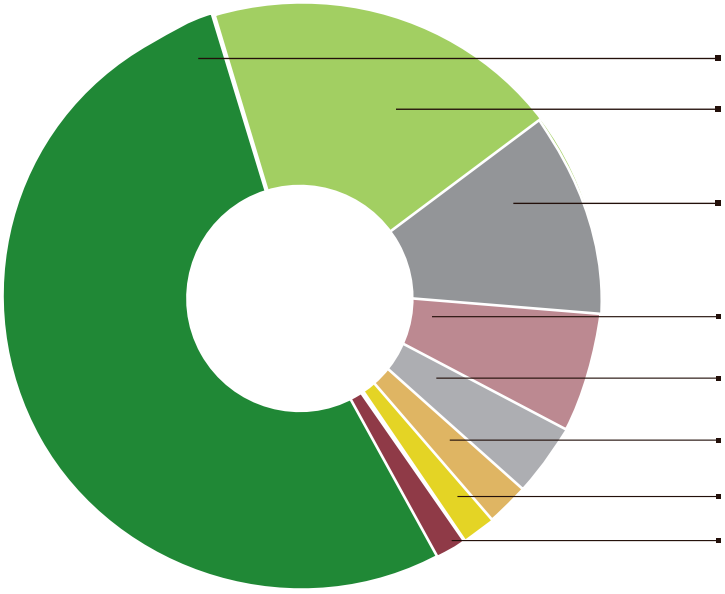
CONSOLIDATED TOTAL ASSETS & INVESTMENT PORTFOLIO



EQUITY ATTRIBUTABLE TO EQUITY HOLDINGS OF THE PARENT



CONSOLIDATED INVESTMENT PORTFOLIO DETAILS DECEMBER 31, 2015



50.8% QUOTED EQUITY SHARES
₱5,082.2

18.2% EQUITIZED INVESTMENT
₱1,821.6

13.9% BONDS & CONVERTIBLE NOTE
₱1,388.6

11.3% UNQUOTED EQUITY SHARES
₱1,127.5

2.6% INVESTMENT PROPERTIES
₱260.6

1.9% PROPRIETARY SHARES
₱190.5

1.1% FUNDS & EQUITIES
₱114.6

0.2% OTHERS
₱21.4

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of A. Soriano Corporation 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 Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

SyCip Gorres Velayo & Co., the independent auditors appointed by the stockholders for the years ended December 31, 2015, 2014 and 2013, has examined 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 examination.

ANDRES SORIANO III
Chairman & Chief
Executive Officer/President

ERNEST K. CUYEGKENG
Executive Vice President &
Chief Financial Officer

Signed this 3rd day of March 2016

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY, METRO MANILA) S.S.

SUBSCRIBED AND SWORN to before me this 3rd day of March 2016 affiants exhibited to me the following:

NAME	PASSPORT NO.	DATE & PLACE OF ISSUE
Andres Soriano III	506368805	Jan. 14 2015 to Jan. 13, 2025/U.S.
Ernest K. Cuyegkeng	EB4390925	Jan. 31, 2015 to Jan. 30, 2020/Manila

Doc. No. 432;
Page No. 88;
Book No. XIV;
Series of 2016.

ATTY. REGINALDO L. HERNANDEZ
Notary Public for and in the City of Makati
Appointment No. M-260; Roll No. 20642
Commission expires on 12-31-16
PTR No. 5329973; 1-13-16; Makati City
IBP No. 1031036; 2-22-16; Pasig City
TIN: 100-364-501

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015 valid until November 9, 2018

The Stockholders and the Board of Directors
A. Soriano Corporation

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Julie Christine O. Mateo
Partner
CPA Certificate No. 93542
SEC Accreditation No. 0780-AR-2 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 198-819-116
BIR Accreditation No. 08-001998-68-2015,
February 27, 2015, valid until February 26, 2018
PTR No. 5321675, January 4, 2016, Makati City

March 2, 2016

Consolidated Balance Sheets

	December 31	
	2015	2014 (As restated, Note 6)
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 6 and 7)	₱ 1,774,319,172	₱ 1,401,033,659
Fair value through profit or loss (FVPL) investments (Note 8)	508,976,634	595,681,712
Receivables (Notes 6 and 9)	1,958,668,503	1,692,829,023
Inventories (Notes 6 and 10)	700,984,189	900,214,435
Property development in progress (Note 12)	175,812,028	57,863,813
Available-for-sale (AFS) investments - current (Note 11)	56,786,078	24,691,343
Prepayments	75,181,852	78,043,758
Other current assets (Note 29)	81,897,555	27,246,561
Total Current Assets	5,332,626,011	4,777,604,304
Noncurrent Assets		
AFS investments - net of current portion (Note 11)	7,358,993,331	10,067,299,976
Investments and advances (Note 12)	1,824,260,087	1,541,990,755
Goodwill (Note 6)	1,852,422,215	1,819,808,697
Property and equipment (Notes 6, 13 and 18)	2,701,877,014	2,701,963,732
Investment properties (Notes 14 and 29)	260,569,744	260,569,744
Retirement plan asset - net (Notes 6 and 23)	59,482,997	65,533,724
Property development in progress - net of current portion (Note 12)	–	98,778,684
Other noncurrent assets (Notes 6, 12, 15 and 29)	102,953,618	92,845,446
Total Noncurrent Assets	14,160,559,006	16,648,790,758
TOTAL ASSETS	₱ 19,493,185,017	₱ 21,426,395,062
LIABILITIES AND EQUITY		
Current Liabilities		
Notes payable (Note 16)	₱ 26,197,832	₱ 1,529,461,840
Accounts payable and accrued expenses (Notes 6, 17 and 30)	916,122,968	1,014,496,149
Dividends payable (Note 19)	229,648,921	519,664,033
Customers' deposits for property development (Note 12)	597,268,360	381,844,350
Income tax payable	85,381,137	66,199,040
Current portion of long-term debt (Notes 6 and 18)	638,070,546	237,502,643
Total Current Liabilities	2,492,689,764	3,749,168,055

(Forward)

Consolidated Balance Sheets

	December 31	
	2015	2014 (As restated, Note 6)
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	₱ 2,459,835,814	₱ 1,934,135,533
Deferred revenues (Note 29)	10,117,900	29,715,303
Deferred income tax liabilities - net (Notes 6 and 24)	443,678,526	389,879,502
Retirement benefits payable - net (Notes 6 and 23)	6,666,773	9,054,911
Other noncurrent liabilities (Notes 6, 15 and 29)	145,275,611	105,002,529
Total Noncurrent Liabilities	3,065,574,624	2,467,787,778
Total Liabilities	5,558,264,388	6,216,955,833
Equity Attributable to Equity Holdings of the Parent (Note 19)		
Capital stock - ₱1 par value	2,500,000,000	2,500,000,000
Additional paid-in capital	1,605,613,566	1,605,613,566
Equity reserve on acquisition of noncontrolling interest (Note 3)	(26,356,543)	(26,356,543)
Cumulative translation adjustment	187,917,388	10,702,438
Unrealized valuation gains on AFS investments (Note 11)	686,254,240	3,238,819,432
Remeasurement on retirement benefits (Note 23)	34,992,585	40,843,333
Retained earnings:		
Appropriated (Note 19)	6,300,000,000	4,600,000,000
Unappropriated (Note 19)	4,487,779,074	5,029,204,349
Cost of shares held by a subsidiary (1,266,300,646 shares and 1,257,900,646 shares in 2015 and 2014, respectively) (Note 19)	(2,219,505,295)	(2,163,648,770)
	13,556,695,015	14,835,177,805
Noncontrolling Interests (Note 3)	378,225,614	374,261,424
Total Equity	13,934,920,629	15,209,439,229
TOTAL LIABILITIES AND EQUITY	₱ 19,493,185,017	₱ 21,426,395,062

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2015	2014 *	2013*
REVENUES			
Sale of goods - net of discount and allowances of ₱74.83 million in 2015	₱ **6,102,268,950**	₱ –	₱ –
Services (Note 29)	**2,691,042,766**	1,966,139,955	1,812,136,972
Dividend income (Note 11)	**209,651,661**	260,862,079	237,966,271
Equity in net earnings of associates (Note 12)	**153,953,858**	147,141,103	228,945,588
Sale of real estate (Note 14)	**293,036,415**	–	82,033,482
Interest income (Notes 7, 8, 11 and 22)	**83,315,419**	96,438,999	95,592,251
Management fee (Notes 9, 26 and 29)	**–**	78,344,162	58,926,242
Others	**1,208,172**	881,793	10,468,291
	9,534,477,241	2,549,808,091	2,526,069,097
INVESTMENT GAINS (LOSSES)			
Gain on sale of:			
AFS investments (Note 11)	**1,091,213,611**	1,661,985,514	1,101,883,509
Investment in associates (Note 12)	**–**	56,059,176	–
Loss on decrease in market values of FVPL investments (Note 8)	**(25,654,441)**	(9,487,014)	(102,835,133)
	1,065,559,170	1,708,557,676	999,048,376
TOTAL	**10,600,036,411**	4,258,365,767	3,525,117,473
Cost of goods sold (Note 20)	**(4,931,773,630)**	–	–
Costs of services rendered (Note 20)	**(1,809,102,441)**	(1,361,515,068)	(1,330,261,339)
Cost of real estate sold (Note 14)	**(174,139,992)**	–	(19,860,844)
Operating expenses (Note 20)	**(1,166,299,873)**	(864,121,022)	(761,493,193)
Interest expense (Note 22)	**(116,599,234)**	(61,361,043)	(34,877,538)
Foreign exchange gain (loss) - net	**(28,856,549)**	(9,962,427)	32,696,008
Other income (charges) - net (Notes 22 and 29)	**(700,605,228)**	102,695,296	(48,424,613)
INCOME BEFORE INCOME TAX	**1,672,659,464**	2,064,101,503	1,362,895,954
PROVISION FOR INCOME TAX (Note 24)	**309,397,655**	29,359,944	16,113,987
NET INCOME	₱ **1,363,261,809**	₱ 2,034,741,559	₱ 1,346,781,967
Attributable to:			
Equity holdings of the Parent	₱ **1,282,782,660**	₱ 2,041,141,959	₱ 1,358,036,019
Noncontrolling interests	**80,479,149**	(6,400,400)	(11,254,052)
	₱ **1,363,261,809**	₱ 2,034,741,559	₱ 1,346,781,967
Earnings Per Share			
Basic/diluted, for net income attributable to equity holdings of the Parent (Note 25)	₱ **1.03**	₱ 1.63	₱ 1.08

See accompanying Notes to Consolidated Financial Statements.

** PDP Group's revenues, costs and expenses were not included in 2014 and 2013 since PDP was still an associate. In 2015, management fees for PDP Group was eliminated as PDP is now a subsidiary.*

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱ 1,363,261,809**	₱ 2,034,741,559	₱ 1,346,781,967
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:			
Unrealized valuation gains (losses) on AFS investments (Note 11)	**(2,246,929,467)**	1,349,350,540	1,468,825,443
Income tax effect	**(24,996,268)**	(15,918,015)	(18,177,103)
	(2,271,925,735)	1,333,432,525	1,450,648,340
Realized gains on sale of AFS investments, net of impairment losses, recognized in the consolidated statements of income (Note 11)	**(285,974,884)**	(1,794,468,827)	(1,237,321,771)
Income tax effect	**5,335,427**	23,913,736	3,815,782
	(280,639,457)	(1,770,555,091)	(1,233,505,989)
	(2,552,565,192)	(437,122,566)	217,142,351
Cumulative translation adjustment	**177,214,950**	31,120,016	135,752,012
	(2,375,350,242)	(406,002,550)	352,894,363
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) (Note 23)	**(8,358,212)**	6,403,863	15,440,233
Income tax effect	**2,507,464**	(1,921,158)	(4,747,470)
	(5,850,748)	4,482,705	10,692,763
OTHER COMPREHENSIVE INCOME (LOSS)	**(2,381,200,990)**	(401,519,845)	363,587,126
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱ 1,017,939,181)**	₱ 1,633,221,714	₱ 1,710,369,093
Attributable to:			
Equity holdings of the Parent	**(₱ 1,098,418,330)**	₱ 1,640,262,701	₱ 1,721,447,737
Noncontrolling interests	**80,479,149**	(7,040,987)	(11,078,644)
	(₱ 1,017,939,181)	₱ 1,633,221,714	₱ 1,710,369,093

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)					
	Capital Stock	Additional Paid-in Capital	Equity Reserve on Acquisition of Noncontrolling Interest (Note 3)	Cumulative Translation Adjustment	Unrealized Valuation Gains (Losses) on AFS Investments (Note 11)	Remeasurement on Retirement Benefits (Note 23)
BALANCES AT DECEMBER 31, 2012	₱ 2,500,000,000	₱ 1,574,103,911	(₱ 26,356,543)	(₱ 156,169,590)	₱ 3,458,799,647	₱ 25,202,686
Total comprehensive income (loss) for the year	–	–	–	135,752,012	217,142,351	10,517,355
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Treasury shares reissued during the year	–	31,509,655	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	–
Appropriation during the year (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2013	2,500,000,000	1,605,613,566	(26,356,543)	(20,417,578)	3,675,941,998	35,720,041
Total comprehensive income (loss) for the year	–	–	–	31,120,016	(437,122,566)	5,123,292
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	–
Appropriation of retained earnings (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2014	2,500,000,000	1,605,613,566	(26,356,543)	10,702,438	3,238,819,432	40,843,333
Total comprehensive income (loss) for the year	–	–	–	177,214,950	(2,552,565,192)	(5,850,748)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱125.8 million (Note 19)	–	–	–	–	–	–
Shares repurchased during the year (Note 19)	–	–	–	–	–	–
Movement in noncontrolling interests (Notes 3 and 29)	–	–	–	–	–	–
Appropriation of retained earnings (Note 19)	–	–	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**₱ 2,500,000,000**	**₱ 1,605,613,566**	**(₱ 26,356,543)**	**₱ 187,917,388**	**₱ 686,254,240**	**₱ 34,992,585**

Consolidated Statements of Changes in Equity

	Equity Attributable to Equity Holdings of the Parent (Note 19)						
		Retained Earnings					
	Subtotal*	Appropriated	Unappropriated	Cost of Shares Held by a Subsidiary	Total	Noncontrolling Interests	Grand Total
BALANCES AT DECEMBER 31, 2012	₱ 7,375,580,111	₱ 2,100,000,000	₱ 4,755,876,861	(₱ 2,019,724,599)	₱ 12,211,732,373	₱ 342,029,170	₱ 12,553,761,543
Total comprehensive income (loss) for the year	363,411,718	–	1,358,036,019	–	1,721,447,737	(11,078,644)	1,710,369,093
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱309.8 million (Note 19)	–	–	(315,325,652)	–	(315,325,652)	–	(315,325,652)
Shares repurchased during the year	–	–	–	(21,419,406)	(21,419,406)	–	(21,419,406)
Treasury shares reissued during the year	31,509,655	–	–	9,921,364	41,431,019	–	41,431,019
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(1,939,021)	(1,939,021)
Additional investment in a subsidiary (Note 12)	–	–	–	–	–	41,027,025	41,027,025
Appropriation during the year (Note 19)	–	900,000,000	(900,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2013	7,770,501,484	3,000,000,000	4,898,587,228	(2,031,222,641)	13,637,866,071	370,038,530	14,007,904,601
Total comprehensive income (loss) for the year	(400,879,258)	–	2,041,141,959	–	1,640,262,701	(7,040,987)	1,633,221,714
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	(310,524,838)	–	(310,524,838)	–	(310,524,838)
Shares repurchased during the year (Note 19)	–	–	–	(132,426,129)	(132,426,129)	–	(132,426,129)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	11,263,881	11,263,881
Appropriation during the year (Note 19)	–	1,600,000,000	(1,600,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2014	7,369,622,226	4,600,000,000	5,029,204,349	(2,163,648,770)	14,835,177,805	374,261,424	15,209,439,229
Total comprehensive income (loss) for the year	(2,381,200,990)	–	1,282,782,660	–	(1,098,418,330)	80,479,149	(1,017,939,181)
Cash dividends - net of dividends on common shares held by a subsidiary amounting to ₱314.5 million (Note 19)	–	–	(124,207,935)	–	(124,207,935)	–	(124,207,935)
Shares repurchased during the year (Note 19)	–	–	–	(55,856,525)	(55,856,525)	–	(55,856,525)
Movement in noncontrolling interests (Notes 3 and 6)	–	–	–	–	–	(76,514,959)	(76,514,959)
Appropriation during the year (Note 19)	–	1,700,000,000	(1,700,000,000)	–	–	–	–
BALANCES AT DECEMBER 31, 2015	**₱ 4,988,421,236**	**₱ 6,300,000,000**	**₱ 4,487,779,074**	**(₱ 2,219,505,295)**	**₱ 13,556,695,015**	**₱ 378,225,614**	**₱ 13,934,920,629**

* *Sum of equity details in page 20.*
See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱ 1,672,659,464**	₱ 2,064,101,503	₱ 1,362,895,954
Adjustments for:			
Loss (gain) on sale of:			
AFS investments (Note 11)	**(1,091,213,611)**	(1,661,985,514)	(1,101,883,509)
Investment in associates	**–**	(56,059,176)	–
Property and equipment (Note 13)	**–**	28,151	–
Valuation allowances - net (Note 22)	**841,123,370**	683,780,320	73,678,356
Dividend income (Note 11)	**(209,651,661)**	(260,862,079)	(237,966,271)
Depreciation and amortization (Note 13)	**236,767,900**	132,907,136	127,561,862
Equity in net earnings of associates (Note 12)	**(153,953,858)**	(147,141,103)	(228,945,588)
Interest expense (Note 22)	**116,599,234**	61,361,043	34,877,538
Interest income (Note 22)	**(83,315,419)**	(96,438,999)	(95,592,251)
Unrealized foreign exchange losses - net	**62,227,101**	32,420,744	106,014,593
Loss on decrease in market values of FVPL investments (Note 8)	**25,654,441**	9,487,014	102,835,133
Retirement benefit costs (Note 23)	**16,230,854**	11,722,183	11,474,829
Gain on remeasurement of previously held interest (Note 22)	**–**	(699,011,094)	–
Operating income before working capital changes	**1,433,127,815**	74,310,129	154,950,646
Decrease (increase) in:			
FVPL investments	**40,316,999**	(124,275,601)	(54,078,824)
Receivables	**(44,016,071)**	(17,241,769)	(97,790,402)
Inventories	**199,230,246**	(39,327,133)	4,186,191
Property development in progress	**(19,169,531)**	–	–
Prepayments and other current assets	**(55,563,541)**	(39,349,178)	(42,734,568)
Increase (decrease) in:			
Accounts payable and accrued expenses	**(66,274,258)**	282,359,937	32,152,326
Customers' deposits for property development	**215,424,010**	224,986,350	156,858,000
Deferred revenues	**(19,597,403)**	1,266,987	(1,226,729)
Net cash provided by operations	**1,683,478,266**	362,729,722	152,316,640
Dividends received	**209,651,661**	356,062,079	307,566,271
Interest received	**83,315,419**	98,046,778	97,227,033
Interest paid	**(148,698,157)**	(61,361,043)	(34,877,538)
Retirement benefit contribution (Note 23)	**(20,926,478)**	(13,923,949)	(15,695,633)
Income taxes paid	**(253,933,598)**	(12,094,161)	(23,226,651)
Net cash flows from operating activities	**1,552,887,113**	729,459,426	483,310,122

(Forward)

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
AFS investments (Note 11)	**₱ 3,294,238,365**	₱ 5,650,606,104	₱ 5,181,601,386
Investment in associates	**–**	56,059,176	–
Additions to:			
AFS investments (Note 11)	**(3,426,157,700)**	(4,435,277,618)	(5,131,238,087)
Property and equipment (Note 13)	**(237,320,248)**	(196,878,710)	(283,486,670)
Acquisition of subsidiaries, net of cash acquired (Note 6)	**–**	(2,369,366,713)	–
Advances to affiliates (Note 12)	**(2,655,735)**	5,914,823	(1,886,405)
Movement in other noncurrent assets	**(10,108,172)**	–	–
Acquisition of an associate (Note 12)	**(2,100,000)**	–	(1,737,200,000)
Net cash flows used in investing activities	**(384,103,490)**	(1,288,942,938)	(1,972,209,776)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable (Note 16)	**557,000,000**	1,529,461,840	176,133,976
Payments of:			
Notes payable (Note 16)	**(2,072,225,829)**	(78,139,466)	(389,625,547)
Long-term debt (Note 18)	**(219,884,036)**	(30,419,980)	(24,254,167)
Dividends (Note 19)	**(414,223,047)**	(54,875,431)	(420,473,090)
Company shares purchased by a subsidiary (Note 19)	**(55,856,525)**	(132,426,129)	(21,419,406)
Increase (decrease) in noncontrolling interests	**(76,514,959)**	504,714	39,263,412
Proceeds from long-term debt (Note 18)	**1,500,000,000**	–	1,973,976,357
Proceeds from sale of treasury stock (Note 19)	**–**	–	41,431,019
Net cash flows from (used in) financing activities	**(781,704,396)**	1,234,105,548	1,375,032,554
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**387,079,227**	674,622,036	(113,867,100)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(13,793,714)**	(17,480,886)	(12,793,005)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,401,033,659**	743,892,509	870,552,614
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱ 1,774,319,172**	₱ 1,401,033,659	₱ 743,892,509

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

A. Soriano Corporation (Anscor or the Company) was registered with the Philippine Securities and Exchange Commission (SEC) on February 13, 1930 to, among others, act as agent or representative of corporations, partnerships or individuals whether residing here or abroad; to buy, retain, possess shares of stock, franchises, patents of any person or entity and to issue shares of stock, bonds or other obligations for the payment of articles or properties acquired by the Company; and to buy or acquire all or part of the property, assets, business and clientele of any person, corporation or partnership, managing the properties or businesses so purchased or acquired and exercising all the powers necessary and convenient for the management and development of the said properties or businesses. On July 17, 1979, the SEC approved the Company's amended articles of incorporation extending the term of its existence for another fifty years up to February 12, 2030. The Company is a corporation incorporated and domiciled in the Philippines whose shares are publicly traded. The registered office address of the Company is at 7th Floor, Pacific Star Building, Makati Avenue corner Gil Puyat Avenue Extension, Makati City, Philippines.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") as of December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 were authorized for issue by the Board of Directors (BOD) on March 2, 2016.

2. Basis of Preparation and Changes in Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for securities at fair value through profit or loss (FVPL) and available-for-sale (AFS) investments that have been measured at fair value. The consolidated financial statements are presented in Philippine pesos (Peso), which is the Company's functional and presentation currency. Amounts are presented to the nearest Peso unless otherwise stated.

Statement of Compliance

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

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Accounting Standards (PAS) which became effective on January 1, 2015.

- PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions* (Amendments)
  PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. This amendment is not relevant to the Group since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRSs (2010-2012 cycle)

These improvements are effective for annual periods beginning on or after July 1, 2014. Unless otherwise stated, these amendments have no significant impact on the Group's consolidated financial statements. They include:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:
  - a performance condition must contain a service condition
  - a performance target must be met while the counter party is rendering service
  - a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group
  - a performance condition may be a market or non-market condition
  - if the counter party, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  This improvement clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement (or PFRS 9, Financial Instruments, if early adopted). This is not relevant to the Group as it has no business combination with contingent consideration.

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments clarify that:
  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

  The disclosures required by the standard are included in the Group's consolidated financial statements (see Note 5).

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Depreciation and Amortization*
  The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the difference between the gross and carrying amounts of the asset. This amendment is not relevant to the Group's consolidated financial statements as it has not adopted the revaluation method.

- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) are effective for annual periods beginning on or after January 1, 2015 and are not expected to have a material impact on the consolidated financial statements. They include:

- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment is applied prospectively and clarifies the following regarding the scope exceptions within PFRS 3:
  - Joint arrangements, not just joint ventures, are outside the scope of PFRS 3.
  - This scope exception applies only to the accounting in the financial statements of the joint arrangement itself.

- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39.

- PAS 40, *Investment Property*
  The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment).

New Accounting Standards, Interpretations and Amendments to
Existing Standards Effective Subsequent to December 31, 2015

The Group will adopt the standards, interpretations and amendments listed below to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended standards and interpretations to have a significant impact on the consolidated financial statements.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements, and PAS 28, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception* (Amendments).
  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not expected to have any impact to the consolidated financial statements.

- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations* (Amendments)
  The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

  The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group.

- PFRS 14, *Regulatory Deferral Accounts*
  PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.

- PAS 1*, Presentation of Financial Statements – Disclosure Initiative* (Amendments)
  Amendments to PAS 1 are intended to assist entities in applying judgment when meeting the presentation and disclosure requirement in PFRS. The amendments clarify the following:
  - that entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions
  - that specific line items in the statement of income and other comprehensive income (OCI) and the statement of financial position may be disaggregated
  - that entities have flexibility as to the order in which they present the notes to financial statements
  - that the share of OCI of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

  Early application is permitted and entities do not need to disclose that fact as the amendments are considered to be clarifications that do not affect an entity's accounting policies or accounting estimates. The Group is currently assessing the impact of these amendments on its financial statements.

- PAS 16, *Property, Plant and Equipment, and PAS 38, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments)
  The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that it has not used a revenue-based method to depreciate its non-current assets.

- PAS 16, *Property, Plant and Equipment, and PAS 41, Agriculture - Bearer Plants* (Amendments)
  The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as it does not have any bearer plants.

- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the consolidated financial statements.

<u>Annual Improvements to PFRSs (2012-2014 cycle)</u>

The Annual Improvements to PFRSs (2012-2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the consolidated financial statements. These include:

- PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations - Changes in Methods of Disposal*
  The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.

- PFRS 7, *Financial Instruments: Disclosures - Servicing Contracts*
  PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

- PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
  This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

- PAS 19, *Employee Benefits - regional market issue regarding discount rate*
  This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

- PAS 34, *Interim Financial Reporting - disclosure of information 'elsewhere in the interim financial report'*
  The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments* (2014 or final version)
  In July 2014, the final version of PFRS 9, Financial Instruments, was issued. PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, Financial Instruments: Recognition and Measurement, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of PFRS 9 is permitted if the date of initial application is before February 1, 2015. The Group is currently assessing the impact of this standard.

- *International Financial Reporting Standard (IFRS) 15 Revenue from Contracts with Customers*
  IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*
  On January 13, 2016, the IASB issued its new standard, IFRS 16, Leases, which replaces International Accounting Standards (IAS) 17, the current leases standard, and the related Interpretations.

  Under the new standard, lessees will no longer classify their leases as either operating or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements.

  The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in their financial statements, particularly on the risk exposure to residual value.

  The new standard is effective for annual periods beginning on or after January 1, 2019. Entities may early adopt IFRS 16 but only if they have also adopted IFRS 15, *Revenue from Contracts with Customers.* When adopting IFRS 16, an entity is permitted to use either a full retrospective or modified retrospective approach, with options to use certain transition reliefs. The Group is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

3. Summary of Significant Accounting and Financial Reporting Policies

Basis of Consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and the following wholly-owned and majority-owned subsidiaries as of December 31:

	Nature of Business	Percentage of Ownership		
		2015	2014	2013
A. Soriano Air Corporation (Note 29)	Services/Rental	**100**	100	100
Pamalican Island Holdings, Inc. (PIHI)	Holding	**62**	62	62
Island Aviation, Inc. (IAI, Notes 18 and 29)	Air Transport	**62**	62	62
Anscor Consolidated Corporation (Anscorcon)	Holding	**100**	100	100

(Forward)

	Nature of Business	Percentage of Ownership 2015	2014	2013
Anscor International, Inc. (AI, Note 12)	Holding	100	100	100
IQ Healthcare Investments Limited (IQHIL, Note 12)	Manpower Services	100	100	100
Cirrus Medical Staffing, Inc. (Cirrus, Notes 6, 12 and 29)	Manpower Services	94	94	94
Cirrus Holdings USA, LLC (Cirrus LLC, Notes 6 and 29)	Manpower Services	94	94	94
Cirrus Allied, LLC (Cirrus Allied, Notes 6 and 29)	Manpower Services	94	94	94
NurseTogether, LLC (NT) (Note 6)	Online Community Management	94	94	94
Anscor Property Holdings, Inc. (APHI, Note 14)	Real Estate Holding	100	100	100
Akapulko Holdings, Inc. (Akapulko)	Real Estate Holding	100	100	100
Goldenhall Corp.	Real Estate Holding	100	100	100
Lakeroad Corp.	Real Estate Holding	100	100	100
Mainroad Corp.	Real Estate Holding	100	100	100
Makatwiran Holdings, Inc. (Makatwiran)	Real Estate Holding	100	100	100
Makisig Holdings, Inc. (Makisig)	Real Estate Holding	100	100	100
Malikhain Holdings, Inc. (Malikhain)	Real Estate Holding	100	100	100
Mountainridge Corp.	Real Estate Holding	100	100	100
Rollingview Corp.	Real Estate Holding	100	100	100
Summerside Corp.	Real Estate Holding	100	100	100
Timbercrest Corp.	Real Estate Holding	100	100	100
Phelps Dodge International Philippines, Inc. (PDIPI, Notes 6, 12 and 29)	Holding	100	100	–
Minuet Realty Corporation (Minuet)	Landholding	100	100	–
Phelps Dodge Philippines Energy Products Corporation (PDP Energy, Notes 6, 12 and 29)	Wire Manufacturing	100	100	–
PD Energy International Corporation (PDEIC)	Wire Manufacturing	100	100	–
Sutton Place Holdings, Inc. (Sutton)	Holding	100	100	100
Cirrus Global, Inc. (CGI, Note 29)	Manpower Services	93	93	93
IQ Healthcare Professional Connection, LLC (IQHPC, Notes 15 and 29)	Manpower Services	93	93	93
AFC Agribusiness Corporation (ACC) (Note 12)	Real Estate Holding	81	81	–
Seven Seas Resorts and Leisure, Inc. (SSRLI, Notes 12 and 29)	Villa Project Development	62	62	62
Pamalican Resort, Inc. (PRI, Notes 12 and 29)	Resort Operations	62	62	62

Except for AI, IQHIL, Cirrus and its subsidiaries and IQHPC, the above companies are all based in the Philippines. The principal business location of AI and IQHIL is in the British Virgin Islands (BVI), while Cirrus and its subsidiaries and IQHPC are based in the United States of America (USA).

Subsidiaries are all entities over which the Group has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a 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
- The Group's voting rights and potential voting rights

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. Consolidation of a subsidiary begins from the date of acquisition, being the date on which control is transferred to the Group and continue to be consolidated until the date that such control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Non-controlling interests represent a portion of profit or loss and net assets of subsidiaries not held by the Group, directly or indirectly, and are presented separately in the consolidated statement of comprehensive income and within the equity section in the consolidated balance sheet and consolidated statement of changes in equity, separately from Company's equity.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any noncontrolling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognized in OCI 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

In 2008, Sutton acquired an additional 32% interest in CGI, increasing its ownership to 93%. The excess of the consideration over the book value of the interest acquired was taken to "Equity Reserve on Acquisition of Noncontrolling Interest" in the consolidated balance sheet.

Current Versus Non-current Classification

The Group presents assets and liabilities in the consolidated statement of financial position based on current/non-current classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as noncurrent assets and liabilities, respectively.

Investments in Associates

Associates are entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. Investments in associates are accounted for under the equity method of accounting in the consolidated financial statements and are initially recognized at cost. On acquisition of investment in an associate, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as goodwill. Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in associates. At each reporting date, the Group determines whether there is objective evidence that the investment in associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated statement of income, and its share of post-acquisition movements in the associates' equity reserves is recognized directly in equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity.

Unrealized gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses are also eliminated, unless the transaction provides evidence of an impairment of the assets transferred. The reporting dates of the associates of the Group are identical and the associates' accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

The Group determines at the end of each reporting period whether there is any evidence that the investments in associates are impaired. If this is the case, the amount of impairment is calculated as the difference between the carrying amount of the investments and their recoverable amount.

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

The following are the Group's associates:

	Nature of Business	**Percentage of Ownership**		
		2015	2014	2013
Vicinetum Holdings, Inc. (VHI, Note 12)	Holding	**32**	32	32
AGP International Holdings Ltd. (AGPI, Note 12)***	Holding	**27**	27	27
NewCo., Inc. (NewCo, Note 12)*	Real Estate	**–**	–	45
AFC Agribusiness Corporation**	Real Estate	**–**	–	45
Anscor-Casto Travel Corporation*	Travel Agency	**–**	–	44
PDIPI (Notes 12 and 29)**	Holding	**–**	–	40
Minuet	Landholding	**–**	–	60
PDP Energy, (Notes 12 and 29)	Wire Manufacturing	**–**	–	40
PDEIC	Wire Manufacturing	**–**	–	40

* *Sold in 2014 (see Note 12)*
** *Became subsidiaries as of December 31, 2014 (see Note 6)*
*** *Its associate is engaged in modular steel fabrication.*

In 2013, Minuet was excluded in the consolidated financial statements as special voting requirements adopted by its shareholders manifested that the Company's 60% holdings in Minuet is not sufficient to carry major business decisions. With the acquisition of PDIPI as discussed in Note 6, Minuet became a wholly-owned subsidiary of the Company and is included in the consolidated financial statements as of December 31, 2014.

On June 28, 2013, AI converted its Convertible Bridge Notes from AGPI to Series B voting preferred shares. On June 29, 2014, AI signed a definitive agreement with AGPI for the subscription to series C voting preferred shares. The subscription increases its holdings to 27%, making AGPI an associate of the Group.

Except for AGPI, the above companies are all based in the Philippines. The principal business location of AGPI is in the British Virgin Islands.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling 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 the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

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

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 to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PAS 39 is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PAS 39, it is measured in accordance with the appropriate PFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit or a 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.

Asset Acquisitions

If the assets acquired and liabilities assumed in an acquisition transaction do not constitute a business, the transaction is accounted for as an asset acquisition. The Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed. The acquisition cost is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Where the Group acquires a controlling interest in an entity that is not a business, but obtains less than 100% of the entity, after it has allocated the cost to the individual assets acquired, it notionally grosses up those assets and recognizes the difference as non-controlling interests.

Foreign Currency Translation

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in Peso based on the exchange rate recorded at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing exchange rate at the end of reporting period. All differences are taken to the consolidated statement of income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as of the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the closing exchange rates at the date when the fair value was determined. Foreign exchange gains and losses relating to AFS equity instruments are presented under other comprehensive income.

Financial statements of consolidated foreign subsidiaries which are considered foreign entities are translated into the presentation currency of the Group (Peso) at the closing exchange rate at end of reporting period and their statements of income are translated using the monthly weighted average exchange rates for the year. The exchange differences arising from the translation are taken directly to a separate component of equity (under cumulative translation adjustment). On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

Fair Value Measurement

The Group measures financial assets (such as FVPL and AFS investments) at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost and of investment properties are disclosed.

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

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

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

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

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

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

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Group's management determines the policies and procedures for both recurring fair value measurement, such as unquoted AFS financial assets, and for non-recurring fair value measurement.

External valuers are involved for valuation of significant assets, such as investment properties. Involvement of external valuers is decided upon annually by management. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. Management decides, after discussions with the Group's external valuers, which valuation techniques and inputs to use for each case.

At each reporting date, management analyses the movements in the values of assets and liabilities which are required to be remeasured or reassessed as per the Group's accounting policies. For this analysis, management verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents with relevant external sources to determine whether the change is reasonable.

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 as explained above.

Financial Instruments

Date of recognition

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the trade date. Derivatives are recognized on trade date basis.

Initial recognition of financial instruments

All financial assets are initially recognized at fair value. Except for securities at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, and loans and receivables. Financial liabilities are classified as financial liabilities at FVPL and other financial liabilities. The classification depends on the purpose for which the investments were acquired and whether they are in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

Classification of financial instruments

Financial instruments are classified as liabilities 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.

As of December 31, 2015 and 2014, the Group has the following categories of financial assets and financial liabilities:

(a) Financial assets and financial liabilities at FVPL

This category includes financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

Financial assets or financial liabilities classified in this category may be designated by management on initial recognition when the following criteria are met:

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

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

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

Derivatives recorded at FVPL

The Group enters into derivative contracts such as currency forwards. These derivative financial instruments are initially recorded at fair value and are subsequently remeasured at fair value at each reporting date. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly to the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. There are no outstanding freestanding derivative contracts as of December 31, 2015 and 2014.

The Group has certain derivatives that are embedded in host financial contracts, such as structured notes and debt investments and conversion. These embedded derivatives include calls and puts in debt investments and interest rate and conversion options among others.

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 at FVPL.

Embedded derivatives are measured at fair value and are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value. Changes in fair value are recorded in "Gain (loss) on increase (decrease) in market values of FVPL investments". Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded as such according to the terms of the contract, or when the right of payment has been established.

As of December 31, 2015 and 2014, the Group has designated as FVPL all investments in bonds that have callable and other features, managed/hedged funds, and derivatives amounting to ₱509.0 million and ₱595.7 million, respectively. No financial liability at FVPL is outstanding as of December 31, 2015 and 2014 (see Note 8).

(b) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not in an active market. They are not entered into with the intention of immediate or short-term resale. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

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 amortization is included in the interest income in the consolidated statement of income. The losses arising from impairment of such loans and receivables are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Included under loans and receivables are cash in banks, short-term investments, trade receivables, receivables from villa owners, notes receivable, interest receivable, advances to employees and other receivables.

(c) AFS investments

AFS investments are those which are designated as such or do not qualify to be classified as FVPL, HTM or loans and receivables. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions. They include equity investments, money market papers, investments in managed funds and other debt instruments.

After initial measurement, AFS investments are subsequently measured at fair value. However, AFS instruments in unquoted equity shares whose fair values cannot be reliably measured are carried at cost, less any impairment loss. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in the consolidated statement of income. The unrealized gains and losses arising from the fair valuation of AFS investments and the impact of restatement on foreign currency-denominated AFS equity securities are reported as part of other comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized under other comprehensive income is transferred to profit or loss as "Gain on sale of AFS investments". Where the Group holds more than one investment in the same security, cost of the disposed investment is determined on a weighted average cost basis. Interest earned on holding AFS investments are reported as interest income using the effective interest rate. Dividends earned on holding AFS investments are recognized as such in the consolidated statement of income when the right of payment has been established.

The Group classifies bonds held as AFS investments as current assets when the investments are expected to mature within twelve months after the reporting period.

As of December 31, 2015 and 2014, the Group's AFS investments include investment in equity securities and bond and convertible notes.

(d) Other financial liabilities

All loans and borrowings are initially recognized at the fair value of the consideration received, less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process.

Borrowings are classified as current liabilities unless these are expected to be settled within 12 months after the reporting date or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

As of December 31, 2015 and 2014, included in other financial liabilities are the Group's notes payable, accounts payable and accrued expenses, long-term debt and dividends payable.

As of December 31, 2015 and 2014, there were no financial instruments classified as HTM.

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 derecognized or removed from the consolidated balance sheet where:

- the contractual rights to receive cash flows from the asset have expired; or
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of 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.

Where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset.

Financial liabilities

A financial liability is removed from the consolidated balance sheet when the obligation under the liability is discharged or cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification will result into the removal of the original liability and the recognition of a new liability and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Impairment of Financial Assets

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

Assets carried at amortized cost

For loans and receivables carried at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant.

For individually significant financial assets, if there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred). If the Group determines that no objective evidence of impairment exists for individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment for impairment.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as industry, collateral type, past-due status and term.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with changes in related observable data from period to period (such changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the Group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the consolidated statement of income. Interest income, if any, continues to be recognized based on the original effective interest rate of the asset. Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reduced by adjusting the allowance account. If a future write-off is later recovered, any amounts formerly charged are credited to "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income.

Assets carried at cost

If there is an objective evidence that an impairment loss of 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 the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

AFS investments

In case of equity investments classified as AFS, objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income - is removed from equity and recognized in the consolidated statement of income. The losses arising from impairment of such investments are recognized as "Recoveries (valuation allowances) - net" account under "Other income (charges) - net" in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income. Increases in fair value after impairment are recognized in the consolidated statement of comprehensive income.

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

"Day 1" Difference

Where the transaction price in a non-active market is different from the fair value from 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 fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only 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.

Offsetting Financial Instruments

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

Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, and other sales taxes or duties.

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

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

Sale of real estate

Sale of real estate is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Revenue on villa development project including handling fee

Revenue on Villa Development Project of a subsidiary is recognized under the completed contract method.

Rendering of services

Handling fee, service fee, management fees, air transport services, and other aviation-related activities are recognized when the services have been performed.

Revenue on nurse placements is recognized upon the nurses' arrival and employment in the U.S. and UAE hospitals.

All deposits on contracts with U.S. hospitals are recorded under "Deferred revenues" until the contracted nurses' arrival and employment in the U.S. and UAE hospitals.

Revenue from temporary staffing is recognized when services are rendered.

Revenue on permanent placements is recognized when the candidate starts with the contracting facility. If a candidate leaves a permanent placement within a relatively short period of time, it is customary for the Group to provide a replacement at no additional cost to the hospital.

Revenue from contractual services consists of jobs filled by subcontractors. The Group contracts with other staffing companies to provide the travelers to fill the jobs for the Group. These staffing companies are called subcontractors. Subcontractors are paid based on agreed terms at a percentage of the invoice.

Revenue from rooms is recognized based on actual occupancy. Other ancillary services are recognized when the related services are rendered and/or facilities/amenities are used.

Interest

Interest income from bank deposits and investments in bonds are recognized as interest accrues based on the effective interest rate method.

Dividends

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

Rental

Rental income is accounted for on a straight-line basis over the lease term.

Costs and Expenses

Costs and expenses are recognized in profit or loss when there is a decrease in future economic benefit related to a decrease in an asset, or an increase of a liability, that can be measured reliably. Costs and expenses include the cost of administering the business, and are expensed as incurred.

Cost of goods sold

The cost of goods sold is recognized as expense when the related goods are sold.

Cost of real estate sold

The cost of real estate sold includes the acquisition cost of the land determined based on average method.

Costs of services rendered

All direct nurse costs incurred in deployment of nurses are deferred and included in "Other noncurrent assets" in the consolidated balance sheets, until the nurses' arrival and employment in the U.S. hospitals. Upon the nurses' arrival and employment in the U.S. hospitals, deferred costs are reversed to "Costs of services rendered".

Cost and expenses related to room services are charged to operations when incurred.

Selling, general and administrative expenses

All selling and general and administrative expenses are expensed as incurred.

Other Comprehensive Income

Other comprehensive income comprises of items of income and expense that are not recognized in consolidated profit or loss for the year in accordance with PFRS. Other comprehensive income of the Group pertains to gains and losses on remeasuring AFS investments, exchange differences on translating foreign operations and remeasurements comprising actuarial gains and losses on retirement plan assets and liabilities. In computing for the earnings available for dividend declaration and earnings per share, other comprehensive income is not considered.

Cash and Cash Equivalents

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

Restricted cash funds are recorded as other noncurrent assets unless the restriction is expected to be released at least 12 months after the reporting period.

Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost of aircraft spare parts and supplies is determined at purchase price using the first-in, first-out method while NRV is the estimated current replacement cost of such spare parts and supplies.

Cost of food and beverage inventories and operating supplies is determined using the moving average method. NRV of food and beverage inventories is the estimated selling price in the ordinary course of business, less the estimated cost of preparation and the estimated cost necessary to make the sale. NRV of operating supplies is the estimated current replacement cost.

Residential units held for sale include those costs incurred for the development and improvement of the properties. Its NRV is based on the available net selling price of similar residential units sold during the year.

Finished goods and work in process is determined at standard cost adjusted to actual cost, which includes direct materials, direct labor and applicable allocation of fixed and variable costs, determined using weighted average method. Raw materials, other materials, reels inventory and spare parts and supplies are determined at purchase price using weighted average method.

Prepayments

Prepayments include advance payments of various goods and services that are yet to be delivered and from which future economic benefits are expected to flow to the Group within the normal operating cycle or, within 12 months from the reporting date.

They are initially measured at the amount paid in advance by the Group for the purchase of goods and services and are subsequently decreased by the amount of expense incurred.

Property and Equipment

Depreciable properties, including buildings and improvements, leasehold improvements, machinery and other equipment, flight and ground equipment, furniture, fixtures and office equipment, and transportation equipment are stated at cost less accumulated depreciation and amortization, and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance, are normally charged to income in the period when the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment.

Property and equipment are written-off when either these are disposed of or when these are permanently withdrawn from use and there is no more future economic benefit expected from its use or disposal.

When assets are retired or otherwise disposed of, the cost and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is credited to or charged against current operations.

Depreciation is computed on a straight-line method over the following estimated useful lives of the properties, except for aircraft engine which is computed based on flying hours.

Category	Number of Years
Buildings and improvements	10 - 30
Land improvements	25
Leasehold improvements*	5 - 20
Flight, ground, machinery and other equipment	5 - 25
Furniture, fixtures and office equipment	3 - 5
Transportation equipment	3 - 5

** or lease term, whichever is shorter*

The useful lives, depreciation and amortization method, and residual values are reviewed periodically to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the use of property and equipment.

Construction in progress (CIP) is stated at cost. This includes cost of construction and other direct costs. CIP is not depreciated until such time the relevant assets are completed and put into operational use.

Property Development in Progress

Property development in progress includes the development costs incurred.

Investment Properties

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property. Subsequent to initial recognition, the Group's investment properties are stated at cost, less accumulated depreciation and any accumulated impairment losses. Land is subsequently carried at cost less any impairment in value.

Expenditures incurred after the investment properties have been put into operation, such as repairs and maintenance costs, are normally charged to income in the period in which the costs are incurred. Transfers are made to investment properties when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment properties when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale. 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 and equipment up to the date of change in use.

Investment properties are written-off when either these are disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of the investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Impairment of Nonfinancial Assets

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

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said 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 statement of income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Goodwill

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

Impairment is determined for goodwill 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 of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized immediately in the consolidated statement of income.

Impairment losses relating to goodwill cannot be reversed for subsequent increases in its recoverable amount in future periods. The Group performs its annual impairment test of goodwill as of December 31 of each year.

Customers' Deposits for Property Development

Customers' deposit for property development, which pertain to advance payment by a villa buyer that is required to start and complete the villa development, is recognized at the fair value of the deposit received. Upon completion of the sale, the deposit will be applied against the total selling price of the villa.

Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets generally represent restricted cash funds for future acquisition of specific property and equipment and for future villa operating requirements. A corresponding liability is recognized for these funds under other noncurrent liabilities.

Capital Stock

Capital stock represents the total par value of the shares issued.

Additional Paid-in Capital

Additional paid-in capital pertains to the amount paid in excess of the par value of the shares issued.

Retained Earnings

Retained earnings represent the cumulative balance of net income or loss, net of any dividend declared.

Unappropriated retained earnings represent that portion which is free and can be declared as dividends to stockholders, after adjustments for any unrealized items, which are considered not available for dividend declaration.

Appropriated retained earnings represent that portion which has been restricted and therefore is not available for any dividend declaration.

Cost of Shares Held by a Subsidiary

The Company's shares which are acquired and held by a subsidiary (treasury shares) are deducted from equity and accounted for at weighted average cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Company's shares. Any difference between the carrying amount and the consideration, if reissued, is recognized in additional paid-in capital.

Leases

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

a. There is a change in contractual terms, other than a renewal or extension of the arrangement;
b. A renewal option is exercised or extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. There is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. There is a substantial change to the asset.

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

The Group as Lessee

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

The Group as Lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Borrowing Costs

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use.

Pension Benefits

The Group has non-contributory defined benefit retirement plans.

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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

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

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognized but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.

Income Taxes

Current income tax

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

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for deductible temporary differences, carryforward benefits of unused tax credits from the excess of minimum corporate income tax (MCIT) over the regular corporate income tax, and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized on temporary differences that arise 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 income nor taxable income.

Deferred income tax liabilities are not provided on taxable temporary differences associated with investments in domestic subsidiaries. With respect to investments in foreign subsidiaries, deferred income tax liabilities are recognized except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred income tax assets and deferred income tax liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of reporting period.

Current income tax and deferred income tax relating to items recognized directly in equity are also recognized in equity and not in the consolidated statement of income.

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

Value Added Tax (VAT)

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered person. VAT on capital goods are spread evenly over the useful life or 60 months, whichever is shorter.

Output VAT pertains to the 12% tax due on the lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Expenses and assets are recognized net of the amount of VAT, except:

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

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any. The Company does not have potentially dilutive common shares as of December 31, 2015, 2014 and 2013.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the respective shareholders of the Company and subsidiaries. Dividends for the year that are approved after the end of reporting period are dealt with as an event after the end of reporting period.

Events After the Reporting Period

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

Segment Reporting

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on business segments is presented in Note 5.

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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 amounts recognized in the consolidated financial statements.

Determination of functional currency

The Company's functional currency was determined to be the Peso. It is the currency of the primary economic environment in which the Company operates.

Classification of financial instruments

The Group classifies a financial instrument, or its component parts, on initial recognition either as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definition of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheets (see Note 28).

Operating lease commitments - the Group as Lessee

The Group has entered into leases of office and commercial spaces. The Group has determined that all significant risks and rewards of ownership of these spaces remain with the lessors.

Operating lease commitments - the Group as Lessor

The Group has entered into a commercial property lease on its investment property. The Group has determined that it retains all the significant risks and rewards of ownership of this property and so accounts for it as an operating lease.

Determination of absence of significant influence over Enderun

The Company determined that it has no significant influence over Enderun. Management assessed that it does not exercise significant influence over the financial and operating policy decisions of the investee. Accordingly, Enderun is considered an AFS investment (see Note 11).

Determining whether an acquisition represents a business combination or an asset purchase

Determining whether the acquisition meets the definition of a business combination requires judgment to be applied on a case by case basis. The Company acquired AAC, a subsidiary. At the time of acquisition, the Company considers whether the acquisition represents an acquisition represents an acquisition of a business or an asset acquisition. At acquisition date, the subsidiary owns a parcel of land which is idle and as such, the acquisition is accounted for as an asset acquisition (see Note 12).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation and uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment losses on loans and receivables

The Group reviews its loans and receivables at each reporting date to assess whether an impairment loss should be recorded in the consolidated statement of income. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

For the advances to related parties, the Group uses judgment, based on the best available facts and circumstances, including but not limited to, assessment of the related parties' operating activities (active or dormant), business viability and overall capacity to pay, in providing reserve allowance against recorded receivable amounts. For the receivables, the Group evaluates specific accounts where the Group has information that certain customers or third parties are unable to meet their financial obligations. Facts, such as the Group's length of relationship with the customers or other parties and their current credit status, are considered to ascertain the amount of reserves that will be recognized. These reserves are re-evaluated and adjusted as additional information is received. Allowance for doubtful accounts as of December 31, 2015 and 2014 amounted to ₱637.3 million and ₱606.3 million, respectively. Receivables and advances, net of valuation allowance, amounted to ₱1,961.3 million and ₱1,692.8 million as of December 31, 2015 and 2014, respectively (see Notes 9 and 12).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- recent arm's-length market transactions;
- current fair value of another instrument that is substantially the same;
- the expected cash flows discounted at current rates applicable for terms with similar terms and risk characteristics; or,
- other valuation models.

However, if the range of reasonable fair value measurements is significant and the probabilities of the various estimates cannot be reasonably assessed, the Group measures the investment at cost.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation. The Group performs periodic reassessment by reference to prices from observable current market transactions in the same instrument or from other available observable market data (see Note 28).

Unquoted equity investments amounted to ₱1,127.5 million and ₱892.6 million as of December 31, 2015 and 2014, respectively (see Note 11).

Impairment of AFS equity investments

The Group recognizes impairment losses on AFS equity investments when there has been a significant or prolonged decline in the fair value of such investments below its cost or when other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. The Group generally treats significant decline as 30% or more and prolonged decline as greater than 12 months. In addition, the Group evaluates other factors, including normal volatility in share price for equities and future cash flows and the discount factors for unquoted equities.

In 2015 and 2014, impairment loss was recognized totaling ₱607.3 million and ₱161.5 million, respectively, on its equity instruments. AFS equity investments amounted to ₱6,508.3 million and ₱8,917.5 million as of December 31, 2015 and 2014, respectively (see Note 11).

Impairment of AFS debt investments

For AFS debt investments, the Group assesses the counterparty's ability to comply with the contractual obligations to pay out principal and interest. Further, the Group assesses whether the market prices of these bonds indicate objective evidence of impairment. In 2015 and 2014, impairment loss was recognized totaling ₱197.9 million and ₱98.5 million, respectively. The carrying value of AFS debt investments amounted to ₱907.5 million and ₱1,174.5 million as of December 31, 2015 and 2014, respectively (see Note 11).

Estimation of allowance for inventory and impairment losses

The Group estimates the allowance for inventory obsolescence and impairment losses related to inventories based on specifically identified inventory items. The amounts and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different estimates. An increase in allowance for inventory and impairment losses would increase recorded expenses and decrease current assets.

As of December 31, 2015 and 2014, allowance for inventory losses and obsolescence amounted to ₱80.4 million and ₱60.5 million, respectively. The carrying amount of the inventories amounted to ₱701.0 million and ₱900.2 million as of December 31, 2015 and 2014, respectively (see Note 10).

Estimation of useful lives of the Group's property and equipment

The Group estimates the useful lives of property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets 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, the estimation of the useful lives of these assets is based on collective assessment of internal technical evaluation and experience with similar assets. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

As of December 31, 2015 and 2014, the carrying value of property and equipment amounted to ₱2,701.9 million and ₱2,702.0 million, respectively (see Note 13).

Investments carried at equity method

Investments carried at equity method are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group's impairment test on investments carried at equity is based on value in use calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years as well as the terminal value at the end of five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As of December 31, 2015 and 2014, allowance for decline in value of investments amounted to ₱444.2 million and ₱462.5 million, respectively. The carrying amounts of the investments amounted to ₱1,821.6 million and ₱1,542.0 million as of December 31, 2015 and 2014, respectively (see Note 12).

Impairment of non-financial assets
(a) Property and equipment and investment properties

The Group assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

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

As of December 31, 2015 and 2014, the carrying value of property and equipment and investment properties amounted to ₱2,962.4 million and ₱2,962.5 million, respectively (see Notes 13 and 14).

There is no impairment loss on property and equipment and investment properties for each of the three years in the period ended December 31, 2015 (see Notes 13 and 14).

(b) Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the "value-in-use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Considering the U.S. crisis and the unemployment rate, the Group recognized an impairment provision of ₱100.0 million since December 31, 2009 on its investment in Cirrus.

As of December 31, 2015 and 2014, the carrying value of goodwill amounted to ₱1,852.4 million and ₱1,819.8 million, respectively. (see Note 6).

Recognition of deferred income tax assets
The Group reviews the carrying amounts of the deferred income tax assets at each end of reporting period and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred income tax assets to be utilized. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. However, there is no assurance that the Group will utilize all or part of the deferred income tax assets. As of December 31, 2015 and 2014, the Group recognized gross deferred income tax assets amounting to ₱152.2 million and ₱146.9 million, respectively (see Note 24).

Determination of pension and other retirement benefits

The cost of defined benefit pension plans as well as the present value of the pension obligation is determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Net retirement plan asset as of December 31, 2015 and 2014 amounted to ₱59.5 million and ₱65.5 million, respectively. Net retirement benefits payable as of December 31, 2015, and 2014 amounted to ₱6.7 million and ₱9.1 million, respectively. Further details are provided in Note 23.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the specific country and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country. Further details about the assumptions used are provided in Note 23.

Provisions and contingencies

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provision and disclosure of contingencies are discussed in the preceding notes and in Note 30.

Purchase price allocation in business combinations and goodwill

The Company accounts for the acquired businesses using the acquisition method which require extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill in the consolidated statement of financial position or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. In 2014, the acquisition of PDIPI and its subsidiary, PDP Energy, has resulted in recognition of goodwill which amounted to ₱1,452.5 million based on provisional purchase price allocation. In 2015, the valuation was completed and final goodwill amounted to ₱1,202.9 million. The total carrying value of goodwill amounted to ₱1,852.4 million and ₱1,819.8 million as of December 31, 2015 and 2014, respectively (see Note 6).

5. Segment Information

The Company and its subsidiaries' operating businesses are organized and managed separately according to the nature of the products or services offered. Prior to 2008, the Group has no geographical segments (except for IQHPC's operations) as majority of the companies within the Group were incorporated and are operating within the Philippines. The Group has no inter-segment sales and transfers. The amounts disclosed were determined consistent with the measurement basis under PFRS.

Holding company segment pertains to the operations of the Company.

Nurse/Physical Therapist (PT) staffing companies segment pertains to the subsidiaries providing healthcare and allied services operating in the United States.

Resort operations and villa development segment pertains to the Company's subsidiary providing hotel and resort accommodation, relaxation and entertainment, among others, and construction and sale of villas (see Note 3).

Cable and wire manufacturing segment pertains to the Company's subsidiaries engaged in manufacturing, importing, exporting, buying, selling or otherwise dealing in, at wholesale, goods such as building wires, power cables, aluminum wires and cables, copper rods, automotive wires and other energy-related goods of electrical nature, including all equipment, materials, supplies used or employed in or related to the manufacture of its finished products.

Amounts for the investments in associates comprise the Group's equity in net earnings of the associates.

Other operations include air transportation, hangarage, real estate holding and management, and recruitment services.

The following tables present the financial information of the business segments as of and for the years ended December 31, 2015, 2014 and 2013 (in thousands):

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2015								
Revenues, excluding interest income	₱ 1,850,730	₱ 2,742,914	₱ 937,545	₱ 6,102,341	₱ 382,875	₱12,016,405	(₱ 2,565,243)	₱ 9,451,162
Interest income	–	75,395	758	1,083	6,079	83,315	–	83,315
Investment gains	–	1,061,756	–	–	(1,160)	1,060,596	4,963	1,065,559
Interest expense	340	74,240	1,155	39,134	1,730	116,599	–	116,599
Income tax expense (benefit)	66,883	(15,815)	29,167	221,657	15,500	317,392	(7,994)	309,398
Net income (loss)	108,864	2,754,957	166,854	574,356	364,558	3,969,589	(2,606,327)	1,363,262
Total assets	1,041,115	15,582,216	1,799,068	3,488,824	3,745,714	25,656,937	(6,163,752)	19,493,185
Investments and advances	–	8,127,677	74,091	–	2,253,691	10,455,459	(8,631,199)	1,824,260
Property and equipment	4,743	29,727	837,454	573,253	95,388	1,540,565	1,161,312	2,701,877
Total liabilities	129,598	2,252,921	1,067,584	1,616,526	4,695,279	9,761,908	(4,203,644)	5,558,264
Depreciation and amortization	4,914	7,369	97,984	70,967	29,435	210,669	26,099	236,768
Impairment loss	–	550,091	4,266	14,940	271,826	841,123	–	841,123
Cash flows from (used in):								
Operating activities	927,193	2,017,011	430,416	773,270	48,197	4,196,087	(2,643,200)	1,552,887
Investing activities	(38,281)	(200,104)	(64,949)	(101,420)	(5,368)	(410,122)	26,019	(384,103)
Financing activities	(909,597)	(1,720,889)	(280,715)	(492,814)	(21,151)	(3,425,166)	2,643,462	(781,704)

* "Other operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI, and the Group's equity in net earnings of associate.

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Cable and Wire Manufacturing	*Other Operations	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2014								
Revenues, excluding interest income	₱ 1,250,017	₱ 760,785	₱ 494,071	₱ –	₱ 545,505	₱ 3,050,378	(₱ 597,009)	₱ 2,453,369
Interest income	9,349	80,214	3,353	–	3,523	96,439	–	96,439
Investment gains	–	1,708,776	–	–	(218)	1,708,558	–	1,708,558
Interest expense	1,981	53,840	1,912	–	3,628	61,361	–	61,361
Income tax expense	19,511	(3,777)	6,754	–	6,872	29,360	–	29,360
Net income (loss)	30,352	1,602,622	(27,280)	–	474,120	2,079,814	(45,072)	2,034,742
Total assets	3,631,986	18,534,609	1,646,336	3,326,645	693,273	27,832,849	(6,513,391)	21,319,458
Investments and advances	2,012,400	7,743,783	–	–	35,827	9,792,010	(8,250,019)	1,541,991
Property and equipment	4,275	32,974	860,177	543,922	72,652	1,514,000	831,505	2,345,505
Total liabilities	3,452,932	4,356,736	881,577	421,764	343,102	9,456,111	(3,346,093)	6,110,018
Depreciation and amortization	7,101	2,235	92,390	–	31,181	132,907	–	132,907
Impairment loss	2,599	700,348	352	–	5,034	708,333	–	708,333
Cash flows from (used in):								
Operating activities	42,297	568,772	218,641	–	18,432	848,142	(118,683)	729,459
Investing activities	(1,269)	(2,041,432)	(151,145)	–	(38,976)	(2,232,822)	943,879	(1,288,943)
Financing activities	40,425	1,445,125	5,106	–	(12,397)	1,478,259	(244,153)	1,234,106

* "Other operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI, IAI, and the Group's equity in net earnings of associate.

	Before Eliminations							
		Philippines						
	US Nurse/PT Staffing Co.	Holding Co. (Parent)	Resort Operations and Villa Development	Other Operations	Investments in Associates	Total	Eliminations	Consolidated
As of and for the year ended December 31, 2013								
Revenues, excluding interest income	₱ 1,201,024	₱ 696,067	₱ 527,783	₱ 533,183	₱ –	₱2,958,057	(₱ 527,580)	₱ 2,430,477
Interest income	227	88,867	3,737	2,761	–	95,592	–	95,592
Investment gains	–	1,000,607	–	(1,559)	–	999,048	–	999,048
Interest expense	1,448	27,422	1,744	4,264	–	34,878	–	34,878
Income tax expense	(4,514)	(4,553)	20,192	4,989	–	16,114	–	16,114
Net income (loss)	6,909	1,534,524	(21,302)	307,254	228,946	2,056,331	(709,549)	1,346,782
Total assets	3,505,636	16,049,801	1,376,518	962,796	–	21,894,751	(4,568,234)	17,326,517
Investments and advances	1,997,775	5,146,562	51,850	23,477	–	7,219,664	(4,141,374)	3,078,290
Property and equipment	6,854	39,628	791,162	69,611	–	907,255	123,905	1,031,160
Total liabilities	3,358,962	2,416,691	582,645	219,370	–	6,577,668	(3,259,056)	3,318,612
Depreciation and amortization	7,001	5,684	87,003	27,874	–	127,562	–	127,562
Other non-cash expenses	–	71,357	–	2,321	–	73,678	–	73,678
Cash flows from (used in):								
Operating activities	34,278	463,909	194,594	551,565	–	1,244,346	(761,036)	483,310
Investing activities	(16,346)	(1,712,414)	(222,407)	54,390	–	(1,896,777)	(75,433)	(1,972,210)
Financing activities	(2,884)	974,853	(104,542)	49,327	–	916,754	458,278	1,375,032

* "Other operations" include ASAC, AAC, Anscorcon, AI, APHI, CGI and IAI.

6. Business Combinations

a. Step-acquisition

On December 19, 2014, the Company acquired 60% shares and voting interest in PDIPI, and its subsidiary, PDP Energy (collectively referred to as "PDP Group"). As a result, the Company's equity interest in PDP Group increased from 40% to 100%, obtaining control of PDP Group. The primary reason for the additional investment is that the Company believes in the continuing success of PDP Group and in its ability to give an attractive rate of return.

The net assets recognized in the December 31, 2014 consolidated financial statements were based on a provisional assessment of fair value while the valuation had not been completed by the date the 2014 consolidated financial statements were approved for issue by the BOD. Provisional goodwill recognized in 2014 amounted to ₱1,452.5 million.

In 2015, the valuation was completed. Except for property and equipment and the related deferred income tax liability, there were no differences between the provisional and final fair value of the assets and liabilities. The final fair values of identifiable assets and liabilities of PDP Group at the date of acquisition were (in millions):

		Final Fair Values Recognized on Acquisition
Cash and cash equivalents	₱	661.0
Receivables		1,241.5
Inventories		778.2
Property, plant and equipment		1,608.0
Other assets		102.7
Total assets		4,391.4
Accounts payable and accrued expenses		(358.5)
Other payables		(63.9)
Deferred income tax liability		(319.2)
Total identifiable net assets acquired		3,649.8
Goodwill arising from the acquisition		1,202.9
Total consideration	₱	4,852.7
Cash paid (presented as investing activities)		2,995.7
Fair value of previously held interest		1,857.0
Total consideration	₱	4,852.7

The December 31, 2014 comparative information was restated to reflect the adjustment to the provisional amounts. As a result, property and equipment and deferred income tax liability increased by ₱356.5 million and ₱106.9 million, respectively. The final purchase price allocation resulted in goodwill of ₱1,202.9 million from the previous determined provisional amount of ₱1,452.5 million.

The fair values of trade receivables amounted to ₱1,241.5 million. The gross amount of trade receivables is ₱1,307.5 million, of which ₱66.0 million is expected to be uncollectible.

The deferred tax liability mainly comprises the tax effect of the excess of fair value over cost of property, plant and equipment.

Goodwill is allocated entirely to the PDP Energy, the cash generating unit. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets*.

Acquisition-related costs of ₱6.5 million have been charged to operations in 2014.

Since the change in ownership occurred towards the end of the year, for purposes of consolidation of balance sheet, the Company treated PDP Group as a consolidated subsidiary at the end of 2014. As such, no revenue and cost and expenses of PDP Group were included in the consolidated statement of comprehensive income in 2014. Had PDP Group been consolidated from January 1, 2014, the consolidated statement of income would show an increase in pro-forma revenue of ₱6,552.4 million and increase in net income of ₱321.3 million in 2014.

The Company recognized a gain of ₱699.0 million as a result of measuring at fair value its 40% equity interest in PDP Group held before the business combination. The gain is included in "Other income (charges) - net" account in the 2014 consolidated statement of income (see Note 22).

b. Goodwill represents the excess of acquisition cost of the following subsidiaries over the Anscor's share in the fair value of their net assets. The carrying amount of goodwill allocated to each cash-generating unit (subsidiaries) follows (in millions):

		2015		2014 (As restated)
PDP (see Note 6a)	₱	**1,202.9**	₱	1,202.9
Cirrus		**550.2**		517.6
SSRLI (Note 12)		**99.3**		99.3
	₱	**1,852.4**	₱	1,819.8

The goodwill allocated to Cirrus of ₱577.9 million, before accumulated exchange differences amounting to ₱78.1 million and ₱45.4 million as of December 31, 2015 and 2014, respectively, and valuation allowance amounting to ₱105.8 million as of December 31, 2015 and 2014, comprises the value of the acquired companies' customer and staff base and existing market share in the healthcare staffing industry. There are no specific values assigned to the customer and staff base. These are not separate and quantifiable and therefore, do not meet the criteria for recognition as an intangible asset under PAS 38, *Intangible Assets.* The goodwill from Cirrus increased by ₱32.7 million and ₱4.5 million in 2015 and 2014, respectively, due to foreign exchange differences.

c. Impairment Testing of Goodwill

i. PDP Group

The recoverable amount of the investments in PDP Group has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2015 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 11% in 2015.

Terminal value
Cash flows beyond the five-year period in 2015 are based on earnings before interest and taxes, depreciation and amortization multiples of entities deemed similar to PDP Group.

Growth rate
PDP Group assumed a growth rate of 4% in 2015. Management has used the average industry growth rate for the forecast.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

ii. Cirrus

The recoverable amount of the investments in Cirrus has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2015 and 2014 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12% in 2015 and 2014.

Terminal value
Management has used the most recent healthcare staffing transaction price earnings multiple in determining the terminal value.

Growth rate
Cirrus assumed a growth rate of 10% to 15% and 9% to 10% in 2015 and 2014, respectively. Growth rate assumptions for the ten-year cash flow projections are supported by the different initiatives of Cirrus which started in 2010.

Sensitivity to changes in assumptions
In 2015, no reasonably possible change in any of the key assumptions would cause the carrying value of the cash generating unit to materially exceed its recoverable amount. In 2014, a reduction to 7% in the revenue growth rate, assuming all other assumptions remain constant, would result in further impairment.

As to other key assumptions, management believes that no reasonably possible change in these key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

iii. SSRLI

The recoverable amount of the investments in SSRLI has been determined based on the value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The key assumptions used to determine the recoverable amount as of December 31, 2015 and 2014 are discussed below:

Discount rate
Discount rate is consistent with the risk-free industry interest rate. The pre-tax discount rate applied to cash flow projections is 12% in 2015 and 10% in 2014.

Growth rate
Growth rate assumptions for the five-year cash flow projections in 2015 and 2014 are supported by the different initiatives of SSRLI. The Company used 5% growth rate in revenue in its cash flow projection in both years.

Terminal value
Cash flows beyond the five-year period in 2015 and 2014 are based on earnings before interest and taxes, depreciation and amortization multiples of entities deemed similar to SSRLI.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the cash-generating unit to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

	2015	2014
Cash on hand and with banks	₱ 1,296,692,431	₱ 1,341,444,528
Short-term investments	477,626,741	59,589,131
	₱ 1,774,319,172	₱ 1,401,033,659

Cash with banks earn interest at the respective bank deposit rates ranging from 0.125% to 0.25% and 0.25% to 1.25% in 2015 and 2014, respectively. Short-term investments with interest rates ranging from 0.16% to 0.55% and 0.30% to 1.45% in 2015 and 2014 are made for varying periods of up to three months depending on the immediate cash requirements of the Group (see Note 22).

8. Fair Value Through Profit or Loss (FVPL) Investments

	2015	2014
Bonds	₱ 481,184,519	₱ 560,889,748
Funds and equities	6,352,114	8,621,964
Others	21,440,001	26,170,000
	₱ 508,976,634	₱ 595,681,712

This account consists of investments that are designated as FVPL and held-for-trading investments. Designated FVPL investments consist of foreign currency-denominated fixed income securities with embedded derivatives (e.g. call and put options) that significantly modify the security's cash flow. These investments are classified under bonds and others.

Held-for-trading investments include foreign currency-denominated mutual/hedge funds, and equity investments that are managed together on a fair value basis. These investments are classified under funds and equities.

FVPL investments in bonds represent foreign currency-denominated bond securities with variable and fixed interest rates. The FVPL coupon interest rate per annum ranges from 4.24% to 13.13% in 2015, 5.25% to 13.13% in 2014, and 4.88% to 13.13% in 2013.

Net gains (losses) on increase (decrease) in market value of FVPL investments as of December 31 are as follows (in millions):

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2015	**2014**	**in 2015**
Bonds	**(₱ 43.8)**	(₱ 22.7)	**(₱ 21.1)**
Funds and equities	**(1.7)**	0.3	**(2.0)**
Others	**1.9**	1.2	**0.7**
Total	**(43.6)**	(21.2)	**(22.4)**
Add realized loss on sale of FVPL investments			**(3.3)**
Net loss on decrease in market value of FVPL investments			**(₱ 25.7)**

	Unrealized valuation gains (losses) in market values as of December 31		Gain (loss) on increase (decrease) in market value of FVPL investments
	2014	**2013**	**in 2014**
Bonds	(₱ 22.7)	(₱ 16.3)	(₱ 6.4)
Funds and equities	0.3	(2.3)	2.6
Others	1.2	1.1	0.1
Total	(21.2)	(17.5)	(3.7)
Add realized loss on sale of FVPL investments			(5.8)
Net loss on decrease in market value of FVPL investments			(₱ 9.5)

(In Millions)	Unrealized valuation gains (losses) in market values as of December 31 2013	2012	Gain (loss) on increase (decrease) in market value of FVPL Investments in 2013
Bonds	(₱ 16.3)	₱ 19.4	(₱ 35.7)
Funds and equities	(2.3)	2.6	(4.9)
Others	1.1	0.2	0.9
Total	(17.5)	22.2	(39.7)
Add realized loss on sale of FVPL investments			(63.1)
Net loss on decrease in market value of FVPL investments			(₱ 102.8)

In 2014 and 2013, the Group entered into non-deliverable currency forward contracts to manage foreign currency risk. These contracts were all settled during the year and resulted to a realized gain of ₱0.9 million in 2014, and realized loss of ₱80.1 million in 2013. There were no outstanding forward transaction as of December 31, 2015 and 2014.

9. Receivables

	2015	2014
Trade	₱ 1,860,418,462	₱ 1,548,437,227
Tax credits/refunds	69,087,707	68,174,021
Notes receivable	40,000,000	40,000,000
Interest receivable	16,498,411	19,585,300
Receivables from villa owners	15,960,585	10,872,107
Advances to employees	12,374,133	10,170,075
Advances to suppliers	2,117,084	290,733
Others	14,709,562	36,826,515
	2,031,165,944	1,734,355,978
Less allowance for doubtful accounts	72,497,441	41,526,955
	₱ 1,958,668,503	₱ 1,692,829,023

Trade receivables are non-interest bearing and are normally settled on 30 days' term.

The Company has notes receivables from Maybank ATR KimEng which amounted to ₱40.0 million as of December 31, 2015 and 2014 for the latter's working capital requirements. The loan is unsecured, interest-bearing and currently due demandable.

Interest receivable pertains to accrued interest income from cash and cash equivalents, FVPL and AFS investments in debt instruments.

Receivable from villa owners pertain to SSRLI's net rental share and handling fees from reimbursable expenses such as guest supplies and other amenities, operating supplies, utilities, manpower, laundry services and other expenses for villa maintenance.

Others include advance to a supplier related to the total cost of fuel tanks and pipelines funded initially by the subsidiary but will be recovered from the supplier over the supply contract period agreed upon by the parties.

Movement in the allowance for doubtful trade and other receivable accounts are as follows:

2015	Trade	Others	Total
At January 1	₱ 39,693,797	₱ 1,833,158	₱ 41,526,955
Provision for the year (Note 22)	32,110,190	–	32,110,190
Write-off	(1,139,704)	–	(1,139,704)
At December 31	₱ 70,664,283	₱ 1,833,158	₱ 72,497,441

2014	Trade	Others	Total
At January 1	₱ 34,128,560	₱ 1,833,158	₱ 35,961,718
Provision for the year (Note 22)	6,174,132	–	6,174,132
Write-off	(608,895)	–	(608,895)
At December 31	₱ 39,693,797	₱ 1,833,158	₱ 41,526,955

10. Inventories

	2015	2014
At cost:		
Food and beverage	₱ 15,355,783	₱ 13,019,981
Aircraft parts in transit	10,033,989	–
Materials in transit	7,200,152	759,453
Reel inventory	4,043,109	4,458,476
Others	2,733,524	12,371,119
	39,366,557	30,609,029
At net realizable value:		
Finished goods - net of allowance for inventory obsolescence of ₱19.0 million in 2015 and ₱13.5 million in 2014	262,455,851	361,740,556
Raw materials - net of allowance for inventory obsolescence of ₱6.8 million in 2015 and ₱7.6 million in 2014	149,452,841	195,131,872
Work in process - net of allowance for inventory obsolescence of ₱7.0 million in 2015 and ₱7.1 million in 2014	116,874,466	109,840,108
Spare parts and operating supplies - net of allowance for inventory obsolescence of ₱26.7 million in 2015 and ₱36.0 million in 2014	104,184,985	131,459,751
Aircraft spare parts and supplies - net of allowance for inventory losses of ₱5.1 million in 2015 and ₱2.2 million in 2014	21,159,618	20,223,843
Construction-related materials - net of allowance for inventory obsolescence of ₱1.5 million in 2015 and ₱1.2 million in 2014	2,135,894	51,209,276
Others	5,353,977	–
	661,617,632	869,605,406
	₱ 700,984,189	₱ 900,214,435

Provision for inventory losses recognized in 2015 and 2014 amounted to ₱7.1 million and ₱1.5 million, respectively.

Aircraft parts in transit are purchased from suppliers abroad under Freight on Board Shipping Point. These items are in the custody of either the Bureau of Customs or freight forwarder as of December 31, 2015 and 2014.

Operating supplies pertain to inventory items used in providing services such as printing, cleaning and office and guest supplies.

Construction-related materials are excess materials and supplies from Villa Development Project. These are held for use in other construction of villas.

11. Available for Sale (AFS) Investments

	2015	2014
Quoted equity shares	₱ 5,082,198,801	₱ 7,542,719,341
Unquoted equity shares	1,127,466,140	892,643,443
Bonds and convertible notes	907,451,753	1,174,457,942
Funds and equities	108,212,393	311,119,241
Proprietary shares	190,450,322	171,051,352
	7,415,779,409	10,091,991,319
Less current portion of AFS bonds	56,786,078	24,691,343
	₱ 7,358,993,331	₱10,067,299,976

Quoted equity shares consist of marketable equity securities that are listed and traded on the Philippine Stock Exchange (PSE). The fair market values of these listed shares are based on their quoted market prices as of December 31, 2015 and 2014 which are assessed to be the exit prices.

AFS investments in bonds represent foreign currency-denominated bond securities with variable and fixed coupon interest rate per annum ranging from 3.88% to 8.35% in 2015, 4.22% to 9.88% in 2014 and 3.88% to 9.75% in 2013. Maturity dates range from April 22, 2016 to May 3, 2042 for bonds held as of December 31, 2015 and March 15, 2014 to January 13, 2037 for bonds held as of December 31, 2014.

In 2015, 2014 and 2013, gain on sale of AFS investments amounted to ₱1,091.2 million, ₱1,662.0 million, and ₱1,101.9 million, respectively.

The Group's AFS unquoted equity investments, bonds and convertible note include the following:

a. Prople Limited

In November 2013, AI invested US$4.0 million (₱175.9 million) convertible notes in Prople Limited. In August 2015, AI purchased Tranche C notes of Prople Limited amounting to US$0.5 million (₱22.6 million). These notes are convertible at the option of the holder into common shares of Prople Limited. The interest is 5% for the first 3 years and if not converted on the 3rd anniversary of closing date (i.e., November 18, 2016, the conversion date), the interest will be the prevailing five year US Dollar Republic of the Philippine (ROP) plus 400 basis points or 7%, whichever is higher for the next two years.

In 2015 and 2014, AI provided impairment loss amounting to ₱197.9 million and ₱40.0 million, respectively. The carrying value of the investment in Prople amounted to nil and ₱165.0 million as at December 31, 2015 and 2014, respectively.

b. Enderun College, Inc. (Enderun)

In 2008, the Company entered into a subscription agreement for the acquisition of 16,216,217 shares of stock equivalent to 20% equity stake in Enderun, a college that offers a full range of bachelor's degree and non-degree courses in the fields of hotel administration, culinary arts and business administration. The total cost of the investment in Enderun amounting to ₱286.2 million approximates its fair value as of December 31, 2014.

In 2015, the Company recognized ₱58.6 million gain on fair value adjustment in its investment in Enderun presented in other comprehensive income. The carrying value of the investment in Enderun amounted to ₱344.8 million and ₱286.2 million as at December 31, 2015 and 2014, respectively.

Investment in Enderun is classified as AFS investments because the Company does not exercise significant influence and its holding in Enderun is not sufficient to carry major business decisions (see Note 4).

c. YmAbs Therapeutics, Inc. (YmAbs)

In December 2015, IQHPC invested US$1.0 million (₱47.1 million) in YmAbs, a clinical stage biotechnology company specializing in developing novel antibody therapeutics to treat cancer. This was classified as an AFS equity investment.

d. Alphion Corporation (Alphion)

Alphion is a fiber optic network company based in New Jersey, with sales, marketing, procurement and R&D offices in India. Alphion develops, manufactures and markets high-speed fiber optic access and switching systems that enable "triple play" services, or voice, video, and data transmission in a single line. As of December 31, 2015 and 2014, the total investment of AI in Alphion amounted to ₱78.0 million, which was fully provided with allowance.

e. Predictive Edge Technologies, LLC (Predictive)

In October 2011, AI entered into a subscription agreement with Predictive Edge Media Holdings, LLC (PEMH) for the acquisition of 1,000,000 Series A preferred units at US$3 per unit, which constitute 10% of the total Series A preferred units outstanding. In the first quarter of 2012, AI's holdings in PEMH, first acquired in October 2011, were exchanged for an interest in Predictive Edge Technologies, LLC ("Predictive"), PEMH's parent company. Predictive is a US-based early-staged technology company, which provides products and services that make practical and effective use of its patented behavioral science, based on psychological principles and state-of-the art mathematics, that allow it to measure and quantify emotions associated with digital content.

In July 2015, AI made an additional investment of US$0.5 million (₱22.5 million).

In 2015, AI provided impairment loss of ₱57.2 million. As of December 31, 2015 and 2014, the net carrying value of AI's investment in Predictive amounted to nil and ₱22.0 million, respectively.

f. Leopard Cambodia Investments (BVI) Ltd. (Leopard)

In 2012, AI purchased 525 shares of Leopard. Leopard is a limited company established in the British Virgin Islands (BVI). The objective is to achieve capital appreciation through investments primarily in businesses with significant operations in Cambodia and in real estate located in Cambodia.

g. KSA Realty Corporation (KSA)

The Company has an 11% stake in KSA, the owner of The Enterprise Center, an office building. The Company received cash dividends from KSA amounting to ₱68.5 million in 2015, ₱91.4 million in 2014 and ₱40.0 million in 2013.

The Company recognized ₱99.2 million and ₱28.3 million gain on fair value adjustment in its investment in KSA in 2015 and 2014, respectively (see Note 24). As at December 31, 2015 and 2014, the Company's investment in KSA amounted to ₱516.4 million and ₱417.2 million, respectively.

h. Maybank ATR KimEng Capital Partners, Inc. (Maybank ATR)

On October 21, 2013, the Company entered into a Memorandum of Agreement with Maybank ATR and other parties to incorporate an entity that shall serve as the holding company of the parties for their investments in a stand-alone trust company. In 2013, the Company invested ₱18.75 million in 15,000,000 common shares and ₱18.75 million in 18,750,000 cumulative, non-voting, redeemable and non-convertible preferred shares of the new entity. These investments give the Company a total of 10% interest in the new entity. As of December 31, 2015 and 2014, the cost of the Company's investment amounted to ₱37.5 million.

i. Geothermal Project

On January 10, 2014, the Company entered into a loan and investment agreement with SKI Construction Group, Inc. (SKI), Red Core Investment Corp. (Red Core), Tayabas Power, Tiaong Geothermal Power, Inc. (Tiaong Power), and San Juan Geothermal Power, Inc. (San Juan Power) to jointly survey and explore the geothermal energy potential in the areas defined by the Tayabas, Tiaong and San Juan Geothermal Renewable Energy Service Contract (GRESC). Under this agreement, the Company committed to fund US$4 million (₱172 million) through zero-coupon notes for exploration phase of the three sites. In 2015 and 2014, total advances amounted to ₱25.5 million and ₱116.4 million, respectively.

The Company may choose to convert each Note into common shares of the three operating companies: Tayabas Power, Tiaong Power and San Juan Power to achieve 9.1% stake in each of these entities. If the Company will not convert the note within the agreed time frame, these notes will be changed into a medium term note with a coupon to be repaid as soon as possible.

Below is the rollforward of the unrealized valuation gains (losses) on AFS investments recognized in equity:

	2015	2014
Beginning balance	₱ 3,238,819,432	₱ 3,675,941,998
Gain recognized directly in equity - net of tax	(2,271,925,735)	1,333,432,525
Amount removed from equity and recognized in profit and loss - net of tax	(280,639,457)	(1,770,555,091)
Ending balance	₱ 686,254,240	₱ 3,238,819,432

In 2015, 2014 and 2013, the Group recognized impairment losses on its quoted and unquoted AFS debt and equity investments amounting to ₱805.2 million, ₱260.0 million, and ₱71.2 million, respectively (see Note 22).

12. Investments and Advances

	2015	2014
Investments at equity - net	₱ 1,821,604,352	₱ 1,541,990,755
Advances - net of allowance for doubtful accounts of ₱564.8 million in 2015 and 2014 (Note 26)	2,655,735	–
	₱ 1,824,260,087	₱ 1,541,990,755

Investments at equity consist of:

	2015	2014
Acquisition cost:		
Common shares	₱ 188,638,207	₱ 186,538,207
Preferred shares	1,997,775,000	1,997,775,000
Total	2,186,413,207	2,184,313,207
Accumulated equity in net earnings (losses):		
Balances at beginning of year	(194,466,476)	788,411,955
Equity in net earnings for the year	153,953,858	147,141,103
Dividends received	–	(95,200,000)
Step acquisition of an associate (Note 6)	–	(1,034,819,534)
Balances at end of year	(40,512,618)	(194,466,476)
Valuation allowance (Note 22)	(444,221,237)	(462,480,976)
Effect of foreign exchange differences	119,925,000	14,625,000
	₱ 1,821,604,352	₱ 1,541,990,755

The significant transactions involving the Group's investments in associates for 2015 and 2014 follow:

AGP International Holdings Ltd. (AGPI)

In December 2011, AI entered into a subscription agreement with AGPI for US$5.0 million Convertible Bridge Notes (the "Notes"), with interest rate of 9% compounded annually. The principal, together with the accrued interest, is payable on the one year anniversary of the issuance of each Note. The Notes are convertible at the option of the holder into: (a) Series B preferred shares at the per share price paid to buy out existing Series A preferred shares (US$0.345/share or the "conversion price"); or (b) the equity security issued by AGPI in its next round of equity financing at the per share price paid in such next round of financing.

AGPI is a British Virgin Islands business company formed in 2010 in connection with the acquisition of equity of Atlantic, Gulf and Pacific Company of Manila, Incorporated (AG&P). AGPI, through its subsidiary and associates, is focused on providing modular engineering and construction and general engineering design services, including, fabrication, assembly and manpower services, particularly in the oil, gas, petrochemical, power generation and mining industries.

On June 28, 2013, AI converted the US$5.0 million Convertible Bridge Notes to 16.4 million Series B, voting preferred shares. On June 29, 2013, AI signed a definitive agreement with AGPI amounting to US$40.0 million for the subscription of 83.9 million Series C, voting preferred shares in AGPI. Series B and Series C preferred shares are convertible, at the option of the holder into Class A common shares. The subscription increased AI's holdings to 27% giving the Group significant influence over AGPI.

The principal place of business of AGPI is Vantepool Plaza, 2nd Floor, Wickhams Cay 1, Road Town, Tortola British Virgin Island.

The total cost of the investment in AGPI amounted to ₱2.0 billion and is presented under investment in associate as of December 31, 2013. In 2014, the Group recognized an allowance for probable losses on the investment which amounted to ₱440.4 million (see Note 22). As of December 31, 2015 and 2014, the carrying value of the investment amounted to ₱1,821.6 million and ₱1,542.0 million, respectively.

Significant details of the balance sheets as of December 31, 2015 and 2014 and statements of comprehensive income for the year ended December 31, 2015 and 2014 (in millions):

		2015		2014
Balance Sheets:				
Current assets	₱	**6,466.3**	₱	6,306.6
Noncurrent assets		**10,651.7**		8,753.4
Current liabilities		**8,097.8**		6,824.1
Noncurrent liabilities		**2,852.4**		3,031.8
Equity		**6,167.7**		5,204.3
Proportion of the Group's ownership interest		**27%**		27%
Group's share in the net assets		**1,666.5**		1,406.2
Excess of cost over book value		**604.0**		561.6
Valuation allowance		**(444.2)**		(440.4)
Foreign exchange difference		**(4.7)**		14.6
Carrying amount of the investment	₱	**1,821.6**	₱	1,542.0

		2015		2014
Statements of Comprehensive Income:				
Revenue	₱	16,657.1	₱	9,589.4
Income (loss) from continuing operations, before tax		614.3		(171.2)
Net income (loss)		568.7		(250.4)
Other comprehensive income (loss)		–		–
Total comprehensive income (loss)		568.7		(250.4)
Proportion of the Group's ownership interest		27%		27%
Group's share in the total comprehensive income (loss)		154.0		(67.1)

The associates as of December 31, 2015 and 2014 have no contingent liabilities or capital commitments.

PDIPI and Subsidiaries

a. PDP Energy established PDEIC, a PEZA-registered company engaged in manufacturing wires, mainly for export.
b. Cash dividends received by the Company amounted to ₱95.2 million at ₱40.3 per share in 2014 and ₱69.6 million at ₱29.5 per share in 2013.

As discussed in Note 6, PDP Group became subsidiaries of the Company towards the end of December 2014. Prior to that, PDP Group is accounted for as an associate. The summarized financial information of the significant associates (PDP Energy and PDEIC) follows (in millions):

		As of December 31, 2014
Balance Sheets:		
Current assets	₱	2,175
Noncurrent assets		627
Current liabilities		443
Equity		2,359

		2014
Statements of Comprehensive Income:		
Net sales	₱	6,552
Gross profit		1,123
Income from continuing operations, before tax		728
Net income		536
Other comprehensive income		–
Total comprehensive income		536
Proportion of the Group's ownership interest		40%
Group's share in the total comprehensive income		214

Anscor-Casto Travel Corporation

In 2014, the Company sold its 44% interest in Anscor-Casto Travel Corporation for ₱9.5 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

NewCo

In 2014, the Company sold its 45% interest in Newco for ₱46.6 million which resulted in a gain for the same amount since the carrying value of the investment is nil.

AAC

In July 2014, the Company acquired 81% interest in AAC, a real estate entity incorporated in the Philippines, for ₱43.0 million. AAC's asset significantly consists of a parcel of land which is idle and not used in business. As such, the Company accounted for this transaction as an asset purchase.

SSRLI and PRI

a. On January 9, 2007, SSRLI and the Philippine Economic Zone Authority (PEZA) signed a Registration Agreement declaring SSRLI as an Ecozone Developer/Operator, entitling SSRLI to establish, develop and construct the villas and to operate the Ecozone. SSRLI is entitled to four-year income tax holiday and tax-free importation on PEZA-covered registered activities under the Registration Agreement.

b. On December 18, 2009, SSRLI's resort operations have been registered with PEZA to engage in the renovation and expansion of Amanpulo Resort at the Pamalican Island Tourism Ecozone. SSRLI's resort operations are entitled to 5% gross income tax on revenues generated from foreign clients and regular income tax on non-foreign clients under the Registration Agreement.

c. On February 18, 2011, the BOD of the Company approved the Company's acquisition of additional shares from the minority shareholders of SSRLI. The acquisition increased the ownership of the Company from 46.79% to 62.30% of the total outstanding common and preferred shares of SSRLI. Total acquisition price for the additional shares is US$5.89 million (₱255.9 million) cash consideration plus the fair value of the 46.79% investment amounting to ₱302.7 million. Goodwill recognized from the acquisition amounted to ₱99.3 million.

d. On July 1, 2011, PRI took over the resort operations of SSRLI. On the same date, PEZA approved PRI's application for registration as an Ecozone Tourism Enterprise. SSRLI also transferred in the name of PRI all resort operation-related contracts entered into with related parties and third parties, including its long-term loans with a bank (see Note 18).

e. On October 3, 2012, PRI entered into an operating lease agreement with SSRLI covering all rights and interests in resort-related assets, which include land, land improvements and buildings for period of 20 years beginning July 1, 2011.

   As of December 31, 2013, all contracts with related parties that are related to resort operations were transferred to PRI except for the foreshore lease contract with the Department of Environment and Natural Resources (DENR) which is nontransferable.

   On February 20, 2013, the BOD and stockholders authorized the increase in PRI's authorized capital stock from ₱1.0 million, divided into 10,000 common shares with par value of ₱100 per share, to ₱200.0 million, divided into 1,500,000 preferred shares and 500,000 common shares, both with par value of ₱100 per share. On August 28, 2013, SEC approved the increase in the authorized capital stock. On the same date, SSRLI has subscribed to 850,000 preferred shares.

On October 10, 2013, SSRLI subscribed to additional 150,000 preferred shares of PRI at an issue price of ₱666.67 and assigned its outstanding receivable amounting to ₱100.0 million as payment for such subscription. The excess of the assigned receivables of ₱85.0 million over the par value of shares subscribed of ₱15.0 million was recorded as additional paid in capital.

In December 2013, the remaining 53,366,400 Class A preferred shares and 35,577,600 Class B preferred shares of SSRLI were subscribed at ₱1.22 per share for a total amount of ₱108.8 million by its existing stockholders via conversion of the SSRLI's shareholders' advances into preferred stock equity based on their proportionate shareholdings in SSRLI. The excess of the consideration received over par value amounting to ₱19.9 million was recorded as additional paid in capital.

f. On November 8, 2013, Amanpulo Resort sustained property damages brought by Typhoon Yolanda. Because of these damages, its operations was temporarily suspended and resumed only on December 15, 2013. In 2013, PRI applied for insurance claims for property damages, business interruption and cost of debris clearing.

In August and September 2014, PRI received from its insurance a total amount of ₱46.23 million for business interruption (see Note 22).

g. SSRLI entered into a memorandum of agreement with the buyers of villa who made a total deposit of ₱597.3 million and ₱381.8 million as of December 31, 2015 and 2014, respectively. This is presented as "Customers' deposits for property development" in the consolidated balance sheets.

h. Starting 2013, SSRLI has property development in progress, which pertains to the costs related to the development of various projects. As of December 31, 2015 and 2014, total property development in progress amounted to ₱175.8 million and ₱156.6 million, respectively, of which ₱175.8 million and ₱57.9 million, respectively, pertain to projects to be completed within one year and are, thus, presented as current assets. Current and noncurrent portion of property development in progress were previously classified under "Other current assets" and "Other noncurrent assets", respectively, in the 2014 consolidated balance sheet.

Material Partly-Owned Subsidiaries (SSRLI and PRI)

Set out below are the summarized financial information of entities that has non-controlling interest that is material to the Group. The amounts disclosed are based on those included in the consolidated financial statements before intercompany eliminations.

Significant details of the balance sheets and statements of comprehensive income of SSRLI and PRI are enumerated below as of December 31 (in millions):

	2015	2014
Balance Sheets:		
Current assets	₱ 690.9	₱ 699.0
Noncurrent assets	1,108.2	956.1
Current liabilities	919.3	734.7
Noncurrent liabilities	148.2	154.8
Equity	731.5	765.7
Attributable to noncontrolling interest (NCI)	270.6	288.7

	2015	2014
Statements of Comprehensive Income (Loss):		
Revenue	₱ 825.3	₱ 480.1
Income (loss) from continuing operations, before tax	196.0	(26.4)
Net income (loss)	166.9	(32.3)
Other comprehensive loss	(0.1)	(1.7)
Total comprehensive income (loss)	166.8	(34.0)
Allocated income (loss) to NCI during the year	62.9	(12.8)

	2015	2014
Statements of Cash Flows		
Cash flows from operations	₱ 430.4	₱ 243.6
Cash flows used in investing activities	(64.9)	(151.2)
Cash flows used in financing activities	(280.7)	(19.8)
Dividends paid to NCI	–	–

13. Property and Equipment

	2015					
	Land, Buildings and Improvements	Flight, Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 2,588,972,115	₱ 762,499,675	₱ 295,345,186	₱ 147,146,569	₱ 40,941,659	₱ 3,834,905,204
Additions	19,585,661	53,432,485	28,292,544	15,313,172	120,696,386	237,320,248
Reclassification	15,566,895	46,858,945	60,931,571	–	(123,357,411)	–
Retirement/ disposals	–	(59,064,552)	(3,672,319)	(1,977,286)	–	(64,714,157)
Foreign exchange adjustment	137,607	–	899,986	–	–	1,037,593
December 31	2,624,262,278	803,726,553	381,796,968	160,482,455	38,280,634	4,008,548,888
Accumulated Depreciation and Amortization						
January 1	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Depreciation and amortization	90,263,073	95,321,896	36,425,705	14,757,226	–	236,767,900
Retirement/disposals	–	(59,064,552)	(3,605,736)	(1,102,881)	–	(63,773,169)
Foreign exchange adjustment	(45,337)	–	781,008	–	–	735,671
December 31	598,359,494	325,983,683	266,016,152	116,312,545	–	1,306,671,874
Net Book Value	₱ 2,025,902,784	₱ 477,742,870	₱ 115,780,816	₱ 44,169,910	₱ 38,280,634	₱ 2,701,877,014

	2014 (As restated, Note 6)					
	Land, Buildings and Improvements	Flight, Ground, Machinery and Other Equipment	Furniture, Fixtures and Office Equipment	Transportation Equipment	Construction in Progress	Total
Cost						
January 1	₱ 1,224,349,307	₱ 426,330,273	₱ 255,713,613	₱ 133,815,042	₱ 109,584,012	₱ 2,149,792,247
Additions	194,950	24,429,466	43,796,227	701,961	127,756,106	196,878,710
Reclassification	236,085,101	–	–	–	(236,085,101)	–
Retirement/ disposals	(88,406,044)	(18,863,294)	(12,622,177)	–	–	(119,891,515)
Foreign exchange adjustment	19,301	–	126,360	–	–	145,661
Property and equipment of acquired subsidiary (Note 6)	1,216,729,500	330,603,230	8,331,163	12,629,566	39,686,642	1,607,980,101
December 31	2,588,972,115	762,499,675	295,345,186	147,146,569	40,941,659	3,834,905,204
Accumulated Depreciation and Amortization						
January 1	532,699,503	289,337,826	204,208,266	92,386,421	–	1,118,632,016
Depreciation and amortization	63,915,074	19,251,807	39,468,468	10,271,787	–	132,907,136
Retirement/ disposals	(88,406,046)	(18,863,294)	(12,594,024)	–	–	(119,863,364)
Foreign exchange adjustment	(66,773)	–	1,332,465	(8)	–	1,265,684
December 31	508,141,758	289,726,339	232,415,175	102,658,200	–	1,132,941,472
Net Book Value	₱ 2,080,830,357	₱ 472,773,336	₱ 62,930,011	₱ 44,488,369	₱ 40,941,659	₱ 2,701,963,732

As of December 31, 2015 and 2014, land with improvements and structures of SSRLI with appraised value of ₱2,923.0 million and ₱2,281.5 million, respectively, were used as collateral for the loan obtained in 2005 by a subsidiary (see Note 18). As of December 31, 2015 and 2014, the mortgage participating certificates or "MPC" issued to the creditor bank represent 5% and 7%, respectively, of the appraised value of the properties that were used as collateral. The carrying value of the related property amounted to ₱301.9 million and ₱344.0 million, respectively.

Construction in progress includes cost of the on-going construction of the land and building improvements and cost of constructing and assembling machineries and equipment.

Depreciation charged to operations amounted to ₱236.8 million, ₱132.9 million, and ₱127.6 million in 2015, 2014 and 2013, respectively.

14. Investment Properties

	2015	2014
January 1	₱ 260,569,744	₱ 206,769,100
Additions	–	53,800,644
December 31	₱ 260,569,744	₱ 260,569,744

The Group's investment properties include 144 hectares of land in Palawan, 875 hectares of land in Cebu, and 97.4 hectares in Guimaras. Based on the valuation performed by independent appraisers as of November and December 2015, the aggregate fair market values of these properties amounted to ₱549.32 million. The fair value was determined using the sales comparison approach which considers the sale of similar or substitute properties, related market data and the assets' highest and best use. The fair value of the investment properties is categorized as Level 3 which used adjusted inputs for valuation that are unobservable as of the date of valuation.

The inputs used were offer prices of similar land. Significant increases or decreases in offer price would result in higher or lower fair value of the asset.

The appraisers determined that the highest and best use of these properties are for residential, agricultural, commercial and recreational utility. For strategic reasons, the properties are not being used in this manner. These properties are currently held by the Group for capital appreciation.

The Group has no restrictions on the realizability of the investment properties and no contractual obligation to either purchase, construct or develop investment properties.

In 2015, 2014 and 2013, the Group derived no income from these investment properties. The aggregate direct expenses pertaining to real property taxes amounted to ₱0.3 million in 2015, 2014 and 2013.

15. Other Noncurrent Assets and Other Noncurrent Liabilities

Other noncurrent assets as of December 31 include:

		2015		2014
Fund for villa operations and capital expenditures	₱	**71,866,837**	₱	45,321,429
Deposit to supplier		**9,910,525**		8,414,815
Deferred nurse cost		**7,225,350**		13,089,154
Refundable deposits		**2,051,851**		9,828,903
Others		**11,899,055**		16,191,145
	₱	**102,953,618**	₱	92,845,446

Fund for villa operations and capital expenditures is a restricted cash fund of PRI held as a source of future maintenance requirements and for future replacement of power generating units and desalination plant. Interest income on this fund shall accrue to the villa owners. A liability related to the fund was recognized and is presented as "Other noncurrent liabilities" in the consolidated balance sheets (see Note 29).

Other noncurrent liabilities also include ₱73.0 million and ₱25.6 million fund for future infrastructure and utility development of villas as of December 31, 2015 and 2014, respectively, which is an allocated charge to the villa owners. The fund is intended to be used for putting up new infrastructure or utilities such as power generating units, roads, potable water, and sewer and irrigation lines, electrical and auxiliary lines essential for a villa to be operable. The fund also includes the villa's share in the future expansion of the existing back-of-house facilities (power generation, potable water production, sewage treatment plant, etc.) of PRI so that the resort's utilities' capacity can accommodate the additional demand that arises from the proposed new villa.

16. Notes Payable

Notes payable represent unsecured (unless otherwise stated), short-term, interest-bearing liabilities of the following companies in the Group to various local banks:

	2015	2014
Bank loans availed by:		
Cirrus	₱ 26,197,832	₱ 29,461,840
Anscor	–	1,500,000,000
	₱ 26,197,832	₱ 1,529,461,840

a. In December 2014, the Company obtained an unsecured, short-term loan which amounted to ₱1.5 billion from a local bank to finance the acquisition of PDP Group. The loan carried interest rate of 3.5% with a term of 6 months (see Note 18). In April 2015, the Company paid the short-term loan in full.

b. Cirrus has obtained a loan with Branch Banking and Trust Company, a foreign bank domiciled in the United States of America, with interest payable monthly at LIBOR plus 2.5%. Cirrus has to abide by certain loan covenants on eligible accounts receivable and minimum net income requirements. Loans payable outstanding as of December 31, 2015 and 2014 amounted to US$0.6 million (₱26.2 million) and US$0.7 million (₱29.5 million), respectively. As of December 31, 2015 and 2014, Cirrus has an available credit line which amounted to US$1.9 million (₱89.4 million) and US$1.8 million (₱82.3 million), respectively. As of December 31, 2015 and 2014, Cirrus is in compliance with the debt covenants.

c. IAI availed of a short-term loan from a local bank which amounted to US$1.0 million (₱43.8 million) in 2010 and bears an annual interest rate of 3-month LIBOR + 2% per annum. In June 2011, IAI availed of an additional US$0.5 million (₱21.9 million) loan. The note has a maturity of 90 days, with option to extend for another 90 days and was subsequently extended in March, June, September and December 2011. IAI paid US$0.2 million (₱8.2 million) in December 2012. In June 2013, IAI paid US$0.2 million (₱8.5 million). In December 2013, IAI availed an additional US$0.2 million (₱8.8 million) loan. The maturity of the remaining US$1.3 million (₱57.7 million) was extended and is payable in March 2014.

   In March 2014, IAI paid US$250 thousand (₱11.16 million) of the above loan and converted the remaining US$1.05 million (₱46.96 million) short-term loan to long-term loan (see Note 18).

d. In 2015, the Company availed of loans from a local bank totaling to ₱257.0 million with terms of 14 to 30 days with 4.0% interest rate in 2015. As of December 31, 2015, the loans were fully paid. The Company's unavailed loan credit line from banks amounted to ₱1.9 billion in 2015 and ₱500.0 million in 2014.

e. In 2015, PDP Energy availed a short-term loan from a local bank amounting to ₱300.0 million which bears annual interest rates ranging from 2.75% to 3.00%, repriced monthly based on the market conditions. As of December 31, 2015, the loan was fully paid.

Total interest expense recognized in the consolidated statements of income amounted to ₱21.7 million in 2015, ₱17.7 million in 2014 and ₱11.5 million in 2013 (see Note 22).

17. Accounts Payable and Accrued Expenses

	2015	2014
Trade payables	₱ 346,260,502	₱ 506,644,800
Accrued expenses (Note 30)	274,104,750	249,480,035
Advances from customers	101,331,461	22,483,320
Refundable deposits	87,929,132	78,164,538
Payable to government agencies	29,643,000	24,160,340
Payable to villa owners	21,389,213	41,161,813
Payable to contractors	19,613,461	86,540,285
Other payables	35,851,449	5,861,018
	₱ 916,122,968	₱ 1,014,496,149

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Accrued expenses include unpaid operating costs of the Group.

Advances from customers pertain mainly to payment of PDP's customers for future delivery of goods.

Refundable deposits pertain to the advance payments made by resorts' guests.

Payable to contractors are amount due to suppliers for ongoing construction projects.

18. Long-term Debt

Long-term debt pertains to the following:

	2015	2014
Long-term debt availed by:		
Anscor	₱ 1,905,930,000	₱ 2,012,400,000
PDP	1,114,285,714	–
IAI	44,471,700	46,956,000
PRI	33,218,946	112,282,176
	3,097,906,360	2,171,638,176
Less current portion	638,070,546	237,502,643
	₱ 2,459,835,814	₱ 1,934,135,533

a. On June 24, 2013, the Company obtained a loan from a local bank amounting to US$45.0 million or ₱1,997.8 million to finance the additional investments in shares of stock of AG&P. The loan is payable quarterly in seven (7) years, inclusive of a 2-year grace period and bears interest equal to outstanding three month LIBOR rate plus 2.0% spread per annum. The loan is secured by pledge to the Company's investments in listed shares with market value amounting to ₱2,169.1 million and ₱4,121.9 million as of December 31, 2015 and 2014, respectively. This loan provides for certain affirmative and negative covenants, such as the use of the proceeds of the loan, maintenance at all times of the required collateral value of no less than 100% and 200% of the outstanding loan balance as at December 31, 2015 and 2014, respectively, not allow the Company's debt-to-equity ratio to exceed 1.75:1 and the Company's current ratio to fall below 1.25:1, among others. The loan agreement further provides that in the event that these ratios are violated specifically by reason of any additional indebtedness with maturity exceeding one year, the Company shall notify the bank in writing of such indebtedness.

   To finance the acquisition of PDP Group, the Company secured a short-term loan with a local bank as discussed in Note 16. As a result, the Company's current ratio declined but such decline is not considered a breach of covenant. As of December 31, 2015 and 2014, the Company is in compliance with the debt covenants.

b. In 2015, PDP Energy obtained a long-term loan with a local bank to partially refinance the short-term loan of Anscor for the acquisition of 60% ownership of GCC in PDIPI. Principal amount of the loan amounted to ₱1.20 billion payable in seven years (7) with annual interest of 4.5%, subject to repricing at the end of the fifth year.

   PDP Energy is subject to the following negative covenants for as long as the long-term loan remains outstanding, which include, but are not limited to: (a) permitting any material change in its business or in the ownership or control of its business or in the composition of its top management; (b) incurring any indebtedness (long-term loan or borrowings) with other banks; (c) allowing declaration or payment of cash dividends to its stockholders if the debt service covenant ratio is below 1.25 times or in the event of default; (d) selling, leasing, transferring or otherwise disposing all or substantially all of PDP Energy's properties and assets; (e) extending loans, advances or subsidies to any corporation it owned other than for working capital requirements or with prior consent of the Bank; and (f) undertaking any capital expenditures or purchase additional capital equipment outside of the ordinary course of business. The long-term loan also provides that PDP Energy has to maintain a ratio of current assets to current liabilities of at least 1.0 times and debt-to-equity ratio should not be more than 2.0 times until final payment date. As at December 31, 2015, the PDP Energy is in compliance with the debt covenants.

   In addition, the long-term loan is secured by the following collaterals, among others:

   - Real estate mortgage over the land owned by Minuet;
   - Chattel mortgage over machineries and equipment of PDP Energy and PDEI located in PDP Energy's and PDEI's premises;
   - Pledge over the shares of stock for 1,121,000 shares of PDIPI held by Anscor; and
   - Assignment of leasehold rentals of the properties located in PDP Energy's premises.

   The long-term loan also provides for pretermination without penalty.

Breakdown of long-term loan as at December 31, 2015 is as follows:

Availment	₱	1,200,000,000
Payments		(85,714,286)
Ending balance		1,114,285,714
Less current portion		171,429,000
Noncurrent portion	₱	942,856,714

Interest expense from long-term loan of PDP Energy amounted to ₱36.18 million in 2015. Accrued interest payable amounted to ₱9.93 million as at December 31, 2015.

c. In 2014, IAI converted the short-term loan amounting to US$1.05 million (₱46.96 million) to long-term loan (see Note 16). The term of the loan is six (6) years, inclusive of one (1) year grace period on principal payments. The loan is payable in 20 equal quarterly installments on principal repayment date commencing at the end of the first quarter of the grace period.

The loan is subject to Mortgage Trust Indenture or "MTI" dated November 29, 2005 between SSRLI and the MTI trustee (AB Capital and Investment Corporation), covering a portion of the assets of SSRLI.

The interest rate shall be equivalent to the base interest rate plus margin. The interest shall be payable quarterly in arrears computed based on the outstanding balance of the loan.

d. Loans payable of PRI amounting to US$2.0 million (₱108.0 million) and US$1.0 million (₱53.0 million) were obtained from local banks on November 29, 2005 and December 22, 2011, respectively. The US$2.0 million loan, which was transferred from SSRLI through an execution of Deed of Assumption of Loan and Mortgage dated June 2, 2011, is subject to Mortgage Trust Indenture (MTI), covering the assets of SSRLI (see Note 13). Both loans have a floating interest rate per quarter equivalent to the average quarterly LIBOR plus 2% spread. The US$2.0 million loan has a maximum term of seven (7) years, including three years grace period while the US$1.0 million loan has a maximum term of five (5) years. Both loans are payable in 17 equal quarterly installments starting October 2012 to 2016. Current portion of loans payable amounted to ₱33.2 million and ₱31.57 million as of December 31, 2015 and 2014, respectively.

On October 3, 2012, PRI obtained a loan from its stockholder amounting to ₱30.0 million. The loan has a grace period of five (5) years and is payable in seven (7) equal annual installments commencing in the year 2018 up to 2024. In lieu of the interest, PRI waives the landing and take-off charges on the said stockholder's use of PRI's runway in Amanpulo. In 2013, PRI obtained an additional loan from the stockholder amounting to ₱19.1 million with the same terms from the previous loan. In May 2015, the loan to stockholder amounting to ₱49.2 million was fully settled by SSRLI on behalf of PRI.

Total interest expense recognized in the consolidated statements of income amounted to ₱94.9 million, ₱43.4 million and ₱23.1 million in 2015, 2014 and 2013, respectively (see Note 22).

19. Equity

Equity holdings of the Parent

Capital stock consists of the following common shares:

	Number of Shares	Amount
Authorized	3,464,310,958	₱ 3,464,310,958
Issued	2,500,000,000	₱ 2,500,000,000

Outstanding shares, net of shares held by a subsidiary, as of December 31, 2015 and 2014 totaled 1,233,699,354 and 1,242,099,354, respectively. The Company's number of equity holders as of December 31, 2015 and 2014 is 11,302 and 11,363, respectively.

The SEC authorized the offering/sale to the public of the Company's 10.0 million and 140.0 million common shares with par value of ₱1.0 each on December 29, 1948 and January 17, 1973, respectively. On August 30, 1996, the SEC authorized the licensing of 910,476,302 common shares at the subscription price of ₱2.50 per share.

In 2015, 2014 and 2013, the Company declared the following cash dividends:

	2015	2014	2013
Cash dividends per share	₱ **0.10**	₱ 0.25	₱ 0.25
Month of declaration	**May**	November	October
Total cash dividends	₱ **250.0 million**	₱ P 625.0 million	₱ 625.0 million
Share of a subsidiary	₱ **125.8 million**	₱ 314.5 million	₱ 309.8 million

As of December 31, 2015 and 2014, the Company's dividends payable amounted to ₱229.6 million and ₱519.7 million, respectively. Dividends payable represents mainly dividend checks that were returned by the post office and which remained outstanding as of December 31, 2015 and 2014 due to problematic addresses of some of the Company's stockholders.

On December 6, 2011, the BOD approved the appropriation of the Company's unrestricted retained earnings amounting to ₱2.1 billion for expansion projects and investments in 2012 onwards in the areas of tourism, business process outsourcing (BPOs), manpower services, education and manufacturing. On February 21, 2013, the BOD approved the additional appropriation of the Company's unrestricted retained earnings amounting to ₱0.9 billion. The appropriated retained earnings will be used for the Company's investment program within three years on business activities gearing towards service sector, tourism and manufacturing whose operations are based within and outside the Philippines.

On September 15 and November 20, 2014, the BOD approved the appropriation of the Company's unrestricted retained earnings which amounted to ₱1.1 billion and ₱0.5 billion, respectively, for future investment programs within three years on business activities related to the service sector, tourism, manufacturing, or such other areas of activities as the Board may deem fit for the best interest of the Corporation.

On February 18 and November 27, 2015, the BOD approved the increase of the Corporation's appropriation of its unrestricted retained earnings amounting to ₱0.5 billion and ₱1.2 billion, respectively, which shall be used for the Company's investment program within the next three years on business activities related to the service sector, tourism and manufacturing, whether based in the Philippines or offshore.

The unrestricted retained earnings is restricted for the dividend declaration by the following:

- Balance of gross deferred income tax assets amounting ₱152.2 million and ₱146.9 million as of December 31, 2015 and 2014, respectively.
- Shares in the undistributed retained earnings of subsidiaries and associates amounting to ₱1.6 billion and ₱2.8 billion as of December 31, 2015 and 2014, respectively, which are included in retained earnings, are not available for declaration as dividends until declared by the subsidiaries.

Shares held by a subsidiary

As of December 31, 2015 and 2014, Anscorcon holds 1,266,300,646 shares and 1,257,900,646 shares, respectively, of the Company. The total number of shares of the Company purchased by the subsidiary was 8,400,000 and 18,903,255 amounting to ₱55.9 million and ₱132.4 million in 2015 and 2014, respectively.

20. Cost of Goods Sold, Services Rendered and Operating Expenses

Cost of goods sold for the year ended December 31, 2015 consists of:

Materials used and changes in inventories (Note 10)	₱ 4,547,877,135
Repairs and maintenance	102,892,525
Salaries, wages and employee benefits (Note 21)	90,045,965
Utilities	88,514,624
Depreciation and amortization (Note 13)	80,706,067
Transportation and travel	5,191,943
Insurance	2,489,433
Dues and subscriptions	1,680,190
Fuel cost	398,488
Others	11,977,260
	₱ 4,931,773,630

Cost of services rendered consists of:

	2015	2014	2013
Salaries, wages and employee benefits (Note 21)	₱ 1,177,618,229	₱ 821,596,656	₱ 777,847,614
Other operating costs - resort	105,012,101	73,385,305	49,928,640
Insurance	90,683,928	66,864,333	60,731,220
Recruitment services (Note 29)	89,437,777	70,470,909	86,641,772
Dues and subscriptions	65,420,731	40,091,648	36,372,003
Outside services	43,162,954	60,019,196	81,430,086
Transportation and travel	36,144,655	25,025,021	40,504,432
Fuel cost	33,328,482	55,147,646	53,372,798
Housing cost	31,219,222	30,794,148	32,904,260
Materials and supplies - resort operations	30,502,161	24,656,357	19,512,872

(Forward)

	2015	2014	2013
Depreciation and amortization (Note 13)	₱ 28,409,146	₱ 27,154,445	₱ 27,959,509
Repairs and maintenance	22,173,010	22,207,388	26,189,570
Commissions	15,260,469	13,154,514	14,522,250
Variable nurse costs (Note 29)	7,461,184	3,388,812	6,533,706
Others	33,268,392	27,558,690	15,810,607
	₱ 1,809,102,441	₱ 1,361,515,068	₱ 1,330,261,339

Operating expenses consist of:

	2015	2014	2013
Salaries, wages and employee benefits (Note 21)	₱ 340,945,122	₱ 276,776,685	₱ 259,827,943
Depreciation and amortization (Note 13)	127,652,687	105,752,691	99,602,353
Advertising	116,267,925	58,940,372	48,717,931
Professional and directors' fees	94,483,322	76,167,744	57,166,449
Shipping and delivery expenses	79,891,698	977,353	809,087
Utilities	68,855,836	92,803,138	77,624,748
Taxes and licenses	67,625,106	43,522,272	29,702,051
Repairs and maintenance	41,432,321	41,723,110	24,518,181
Commissions	40,094,155	22,151,535	22,698,413
Insurance	26,148,572	13,094,357	11,670,093
Transportation and travel	21,025,407	29,395,090	20,765,317
Communications	19,212,844	9,645,650	8,220,006
Rental (Note 29)	18,756,512	13,052,306	12,185,879
Entertainment, amusement and recreation	18,550,777	12,779,121	10,304,915
Security services	18,307,777	14,258,848	16,441,181
Association dues	7,690,415	5,867,816	7,600,981
Donation and contribution	7,632,540	5,480,051	12,338,670
International processing cost	7,356,938	4,195,032	13,281,140
Office supplies	7,263,853	4,295,975	4,932,614
Meetings and conferences	3,783,380	3,174,816	2,884,291
Medical expenses	3,632,848	–	–
Computer programming	3,209,205	3,303,519	1,258,880
Contract maintenance	330,075	239,196	2,477,233
Others	26,150,558	26,524,345	16,464,837
	₱ 1,166,299,873	₱ 864,121,022	₱ 761,493,193

In 2015, 2014 and 2013, the Company paid bonus to its non-executive directors amounting to ₱13.4 million, ₱6.4 million and ₱6.6 million, respectively.

21. Personnel Expenses

	2015	2014	2013
Salaries and wages	₱ 1,479,276,277	₱ 1,059,316,132	₱1,005,928,575
Pension costs (Note 23)	16,230,854	11,722,183	11,474,829
Social security premiums, meals and other employees' benefits	113,102,185	27,335,026	20,272,153
	₱ 1,608,609,316	₱ 1,098,373,341	₱ 1,037,675,557

In 2015, 2014 and 2013, the Company declared and paid bonuses to its executive officers amounting to ₱63.3 million, ₱29.3 million and ₱23.8 million, respectively.

22. Interest Income, Interest Expense and Other Income (Charges)

Interest income consists of:

	2015	2014	2013
Debt instruments (Notes 8 and 11)	₱ 73,314,316	₱ 75,149,914	₱ 78,681,235
Cash and cash equivalents (Note 7)	4,679,094	17,439,665	16,606,664
Funds and equities	5,309,052	3,406,469	–
Others	12,957	442,951	304,352
	₱ 83,315,419	₱ 96,438,999	₱ 95,592,251

Interest income on debt instruments is net of bond discount amortization amounting to ₱0.4 million in 2015, ₱2.8 million in 2014 and ₱0.6 million in 2013.

Interest expense consists of:

	2015	2014	2013
Notes payable (Note 16)	₱ 21,652,492	₱ 17,722,053	₱ 11,494,158
Long-term debt (Note 18)	94,940,763	43,408,333	23,069,785
Others	5,979	230,657	313,595
	₱ 116,599,234	₱ 61,361,043	₱ 34,877,538

Other income (charges) -net consists of:

	2015	2014	2013
Valuation allowances on:			
AFS investments (Note 11)	(₱ 805,238,727)	(₱ 259,940,637)	(₱ 71,245,484)
Receivables (Note 9)	(32,110,190)	(6,174,132)	(5,018,782)
Other current and noncurrent assets (Note 10)	(3,774,453)	(1,811,227)	(515,316)
Investment in associate (Note 12)	–	(440,407,829)	–
Handling and service fees	115,478,261	17,713,044	–
Gain on remeasurement of previously held interest (Note 6)	–	699,011,094	–
Recovery of allowances for impairment losses (Notes 9, 10 and 11)	–	24,553,505	3,101,226
Insurance claims (Note 12)	–	46,228,744	–
Others	25,039,881	23,522,734	25,253,743
	(₱ 700,605,228)	₱ 102,695,296	(₱ 48,424,613)

In 2014, SSRLI entered into a Construction Service Contract (service contract) with the PEZA-registered villa owners in which SSRLI shall be provide project management, general and specific administration and supervision over the preconstruction and construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2015 and 2014, SSRLI recognized handling fees amounting to ₱56.5 million and ₱17.7 million, respectively.

In 2015, a subsidiary entered into a contract and received fee of ₱59.0 million for various services rendered.

Others included ASAI's reimbursement from lessees and costs of PRI charged to villa owners.

23. Pension and Other Post-employment Benefit Plans

The Group has funded defined benefit pension plans covering substantially all of its officers and employees. The benefits to be received by the officers and employees under the pension plans shall not be less than the minimum mandated retirement benefit plan under Republic Act (RA) No. 7641. The funds are administered by trustee banks under the control and supervision of the Board of Trustees (BOT) of the pension plans, who is composed of the executive officers of the Company.

The Company contributes to the funds as required under accepted actuarial principles to maintain the plan in sound condition and reserves the right to discontinue, suspend or change the rate and amount of its contribution to the funds at any time.

Funding Policy

The Company contributes to the plans amounts (estimated by an actuary on the basis of reasonable actuarial assumptions) which are necessary to provide the defined benefits. No member is required to make any contribution to the plans. Contributions to the plans are determined using the projected unit credit method. Under this method, the current service cost is the present value of retirement benefits payable in the future in respect of services in the current period. The past service cost (PSC) is the present value of the units of benefits payable in the future in respect of services rendered prior to valuation date.

The Group's management performs an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Group's defined benefit plans is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risks of the plans. The Group's current strategic investment strategy consists of 40% of equity instruments and 60% of debt instruments.

The Group's plan assets and investments as of December 31, 2015 and 2014 consist of the following:

a. Cash and cash equivalents, which include regular savings and time deposits;

b. Investments in government securities, which include retail treasury bonds and fixed rate treasury notes that bear interest ranging from 2.13% to 9.13% in 2015 and 2014, and have maturities from September 4, 2016 to October 24, 2037 in 2015 and November 4, 2016 to October 24, 2037 in 2014;

c. Investments in corporate debt instruments, consisting of both short-term and long-term corporate notes and land bonds, which bear interest ranging from 4.41% to 8.5% in 2015 and 4.38% to 8.46% in 2014 and have maturities from August 27, 2019 to April 25, 2025 in 2015 and from February 23, 2014 to November 29, 2032 in 2014; and

d. Investments in equity securities, which consist of unlisted and actively traded securities of holding firms, banks and companies engaged in energy, oil and gas, telecommunications, transportation, real estate, construction, food and beverage, mining and other services among others.

As of December 31, 2015 and 2014, the Company's defined benefit retirement fund has investments in shares of stock of the Company with a cost of ₱71.1 million and ₱30.2 million, respectively. All of the fund's investing decisions are made by the BOT of the pension plans. The retirement benefit fund's total gains arising from the changes in market prices amounted to ₱2.1 million and ₱13.3 million in 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the fund's carrying value and fair value amounted to ₱426.7 million and ₱409.6 million, respectively.

The following tables summarize the components of net benefit expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2015	2014	2013
Retirement benefit cost:			
Current service cost	₱ 19,132,392	₱ 13,730,445	₱ 12,918,528
Net interest	(2,901,538)	(2,008,262)	(1,730,706)
Past service cost - plan amendment and others	–	–	287,007
Net benefit expense	₱ 16,230,854	₱ 11,722,183	₱ 11,474,829
Actual return on plan assets	₱ 1,730,655	₱ 23,535,342	₱ 35,316,020

Changes in net retirement plan asset are as follows:

	2015	2014	2013
Net retirement plan asset (retirement benefits payable), beginning	₱ 65,533,724	₱ 53,846,435	₱ 38,369,388
Current service cost	(13,310,014)	(10,316,336)	(9,738,438)
Net interest	3,221,383	2,383,337	2,442,611
	(10,088,631)	(7,932,999)	(7,295,827)
Actuarial changes arising from:			
Remeasurement of plan assets	(17,100,815)	9,836,624	20,320,127
Experience adjustments	7,386,456	1,357,122	(1,079,240)
Changes in financial assumptions	99,446	657,490	(1,709,165)
Changes in the effect of asset ceiling	2,473,743	(2,982,175)	(2,482,016)
	(7,141,170)	8,869,061	15,049,706
Contribution	11,179,074	7,723,131	7,723,168
Net plan assets of acquired subsidiary (Note 6)	–	3,028,096	–
Net retirement plan asset, end	₱ 59,482,997	₱ 65,533,724	₱ 53,846,435

Changes in net retirement benefits payable are as follows:

	2015	2014	2013
Retirement benefits payable, beginning	(₱ 9,054,911)	(₱ 10,965,263)	(₱ 14,846,513)
Current service cost	(5,822,378)	(3,414,109)	(3,180,090)
Net interest	(319,845)	(375,075)	(711,905)
	(6,142,223)	(3,789,184)	(3,891,995)
Actuarial changes arising from:			
Experience adjustments	(4,826,719)	(795,535)	(699,009)
Remeasurement of plan assets	(581,257)	190,861	667,478
Changes in financial assumptions	4,190,933	(922,028)	(167,689)
	(1,217,043)	(1,526,702)	(199,220)
Contribution	9,747,404	6,200,818	7,972,465
Benefits paid directly by the Group	–	1,025,420	–
Net retirement benefits payable, end	(₱ 6,666,773)	(₱ 9,054,911)	(₱ 10,965,263)

Computation of net retirement plan assets:

2015:

	Retirement Plan Asset	Retirement Liability	Total
Present value of defined benefit obligation	(₱ 325,294,428)	(₱ 39,236,445)	(₱ 364,530,873)
Fair value of plan assets	394,111,065	32,613,650	426,724,715
Surplus (deficit)	68,816,637	(6,622,795)	62,193,842
Effect of the asset ceiling	(9,333,640)	(43,978)	(9,377,618)
Retirement plan asset (liability)	₱ 59,482,997	(₱ 6,666,773)	₱ 52,816,224

2014:

	Retirement Plan Asset	Retirement Liability	Total
Present value of defined benefit obligation	(₱ 307,945,604)	(₱ 33,824,951)	(₱ 341,770,555)
Fair value of plan assets	384,808,111	24,770,040	409,578,151
Surplus (deficit)	76,862,507	(9,054,911)	67,807,596
Effect of the asset ceiling	(11,328,783)	–	(11,328,783)
Retirement plan asset (liability)	₱ 65,533,724	(₱ 9,054,911)	₱ 56,478,813

Changes in the present value of defined benefit obligation:

	2015	2014
Opening defined benefit obligation	₱ 341,770,555	₱ 280,049,491
Interest cost	16,082,344	12,176,349
Current service cost	19,132,392	13,730,445
Benefits paid from plan assets	(5,604,302)	(4,806,179)
Benefits paid directly by the Group	–	(1,025,420)
Remeasurement in other comprehensive income:	–	
Actuarial loss (gain) - changes in financial assumptions	(4,290,379)	500,618
Actuarial loss (gain) - change in demographic assumptions	–	–
Actuarial gain - experience adjustments	(2,559,737)	(1,809,482)
Benefit obligation of acquired subsidiary (Note 6)	–	42,954,733
	₱ 364,530,873	₱ 341,770,555

Changes in the fair value of plan assets:

		2015		2014
Opening fair value of plan assets	₱	**409,578,151**	₱	330,795,953
Contributions		**20,926,478**		13,923,949
Interest income		**19,506,460**		14,519,672
Benefits paid from plan assets		**(5,604,302)**		(4,806,179)
Remeasurement gain (loss)		**(17,682,072)**		9,015,670
Plan assets of acquired subsidiary (Note 6)		**–**		46,129,086
	₱	**426,724,715**	₱	409,578,151

Changes in the effect of asset ceiling:

		2015		2014
Beginning balance	₱	**11,328,783**	₱	7,865,290
Interest on the effect of asset ceiling		**522,578**		335,061
Changes in the effect of asset ceiling		**(2,473,743)**		2,982,175
Effect of asset ceiling of the new subsidiary (Note 6)		**–**		146,257
	₱	**9,377,618**	₱	11,328,783

The fair value of plan assets as of December 31 are as follows:

		2015		2014
Debt instruments	₱	**151,923,113**	₱	187,651,043
Equity instruments		**120,684,378**		108,850,051
Unit investment trust funds		**97,074,293**		97,204,156
Cash and cash equivalents		**40,742,739**		10,238,644
Others		**16,300,192**		5,634,257
	₱	**426,724,715**	₱	409,578,151

The financial instruments with quoted prices in active market amounted to ₱204.2 million and ₱195.7 million as of December 31, 2015 and 2014, respectively. The remaining plan assets do not have quoted market prices in active market.

The plan assets have diverse investments and do not have any concentration risk.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the Parent Company and PDP Group as of the end of the reporting period, assuming all other assumptions were held constant:

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	**-0.6% to 4.9%**	**(₱ 4,099,559)**
	+0.7 to 5.4%	**4,472,116**
Future salary increases	**+1.1% to 10.2%**	**₱ 7,981,416**
	-1.0% to 8.8%	**(6,925,561)**

2014	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	-0.5% to 0.7%	(₱ 4,127,199)
	+0.5 to -0.7%	4,517,193
Future salary increases	+1.0% to 1.2%	₱ 8,151,977
	-1.0% to -1.2%	(7,043,507)

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation of the subsidiaries, except PDP Group in 2014, as of the end of the reporting period, assuming all other assumptions were held constant:

2015	Increase (decrease)	Effect on present value of defined benefit obligation Increase(decrease)
Discount rates	**-1.0% to -7.8%**	**(₱ 496,858)**
	+1.0% to 9.1%	**580,414**
Future salary increase	**+1.0% to 8.0%**	**₱ 508,937**
	-1.0% to 7.0%	**(446,728)**

2014	Increase (decrease)	Effect on present value of defined benefit obligation Increase (decrease)
Discount rates	+1.0% to 2.0%	(₱ 2,559,838)
	-1.0% to 2.0%	3,194,930
Future salary increase	+1.0% to 2.0%	₱ 1,611,867
	-1.0% to 2.0%	(1,454,847)

The Group expects to make contributions amounting to ₱20.9 million to its defined benefit pension plans in 2016.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	2015	2014
Discount rate	4.3% to 5.64%	4% to 6%
Future salary increases	5.0% to 10.0%	5% to 6%

The weighted average duration of the defined benefit obligation as of December 31, 2015 and 2014 ranges from 1.8 to 16.8 years and 1.6 to 19.8 years, respectively.

24. Income Taxes

The provision for income tax consists of:

	2015	2014	2013
Current	₱ 272,752,008	₱ 12,927,935	₱ 26,586,615
Deferred	36,645,647	16,432,009	(10,472,628)
	₱ 309,397,655	₱ 29,359,944	₱ 16,113,987

The components of the net deferred income tax assets (liabilities) are as follows:

	2015	2014 (As restated, Note 6)
Deferred income tax assets:		
Allowance for doubtful accounts	₱ 37,599,049	₱ 19,801,875
Allowance for inventory losses	28,311,111	18,214,493
Unrealized foreign exchange loss	20,950,566	10,766,182
NOLCO on federal and state income tax	16,335,541	79,176,980
Unamortized past service cost	14,992,741	3,117,180
Market adjustment on FVPL	13,072,011	6,366,630
Accrued expenses	11,109,266	3,811,258
Retirement benefits payable	214,295	2,716,473
Others	9,601,685	2,975,522
	152,186,265	146,946,593
Deferred income tax liabilities:		
Fair value adjustment	(356,389,025)	(356,389,025)
Goodwill amortization	(128,522,084)	(101,947,016)
Unrealized valuation gains on AFS investments	(59,970,480)	(40,309,639)
Unrealized foreign exchange gains	(26,757,874)	(12,213,730)
Retirement plan assets	(18,390,286)	(19,660,118)
Uncollected management fee	(5,835,042)	(6,306,567)
	(595,864,791)	(536,826,095)
Net deferred tax liability	(₱ 443,678,526)	(₱ 389,879,502)

There are deductible temporary differences for which no deferred income tax assets were recognized as future realizability of these deferred income tax assets is not certain. These deductible temporary differences are as follows:

	2015	2014
Allowances for:		
Doubtful accounts	₱ 1,028,942,693	₱ 1,032,743,947
Impairment losses	1,023,578,710	220,820,097
Inventory losses	3,955,899	6,625,786
NOLCO	249,329,859	318,657,950
MCIT	4,474,885	5,697,745
Accrued pension benefits and others	27,365,371	45,996,319

The Company and other subsidiaries domiciled in the Philippines are subjected to the Philippine statutory tax rate of 30% in 2015, 2014 and 2013 while a foreign subsidiary is subject to U.S. federal tax rate of 34% in 2015, 2014 and 2013.

The reconciliation of provision for income tax computed at the statutory tax rates to provision for income tax is as follows:

	2015	2014	2013
Provision for income tax at statutory tax rates	₱ 501,797,840	₱ 619,230,451	₱ 408,868,786
Additions to (reductions from) income taxes resulting from:			
Gain on sale of AFS investments, marketable equity securities and other investments subjected to final tax	(322,201,613)	(515,638,967)	(336,528,398)
Movement in unrecognized deferred income tax assets	212,131,672	239,693,660	59,566,099
Dividend income not subject to income tax	(62,895,499)	(78,258,624)	(61,258,810)
Equity in net earnings of associates not subject to income tax	(46,186,157)	(44,142,332)	(68,683,677)
Interest income already subjected to final tax	(335,147)	(2,427,063)	(4,787,788)
Nondeductible expenses	694,908	1,822,242	481,617
Gain on remeasurement of previously held interest	–	(209,703,328)	–
Others	26,391,651	18,783,905	18,456,158
	₱ 309,397,655	₱ 29,359,944	₱ 16,113,987

The Group has available NOLCO and MCIT which can be claimed as deduction from taxable income and as credit against income tax due, respectively, as follows:

NOLCO

The following table summarizes the NOLCO as of December 31, 2015 of the Company and its subsidiaries domiciled in the Philippines:

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2012	2013-2015	₱ 66,077,438	₱ –	(₱ 66,077,438)	₱ –
2013	2014-2016	121,722,313	–	–	121,722,313
2014	2015-2017	130,858,199	–	–	130,858,199
2015	2016-2018	157,641,973	–	–	157,641,973
		₱ 476,299,923	**₱ –**	**(₱ 66,077,438)**	**₱ 410,222,485**

As of December 31, 2015 and 2014, a foreign subsidiary has NOLCO on federal and state income tax purposes of approximately US$3.8 million (₱178.8 million) and US$7.6 million (₱337.4 million), respectively. Portion of NOLCO incurred in prior year will begin to expire in 2028. No deferred income tax assets were recognized on this NOLCO as its future realizability is not certain.

MCIT

Period of Recognition	Availment period	Amount	Applied	Expired	Balance
2012	2013-2015	₱ 2,147,145	(₱ 169,774)	(₱ 1,977,371)	₱ –
2013	2014-2016	2,327,321	–	–	2,327,321
2014	2015-2017	1,223,279	–	–	1,223,279
2015	2016-2018	924,285	–	–	924,285
		₱ 6,622,030	**(₱ 169,774)**	**(₱ 1,977,371)**	**₱ 4,474,885**

25. Earnings Per Share - Basic / Diluted

Earnings per share - basic / diluted were computed as follows:

	2015	2014	2013
Net income attributable to equity holdings of the parent	**₱ 1,282,782,660**	₱ 2,041,141,959	₱ 1,358,036,019
Weighted average number of shares (Note 19)	**1,244,599,629**	1,253,952,678	1,261,027,565
Earnings per share	**₱ 1.03**	₱ 1.63	₱ 1.08

The Company does not have potentially dilutive common stock equivalents in 2015, 2014 and 2013.

26. Related Party Transactions

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

In the normal course of business and in addition to those disclosed in Notes 12 and 29, the Group grants/receives cash advances to/from its associates and affiliates.

The consolidated balance sheets include the following transactions and account balances as of December 31 with related parties:

2015	Amount Volume	Outstanding Balance Receivable	Terms	Conditions
Associates				
Vicinetum:				
Advances (Note 12)	₱ 191,128	₱ 1,276,026	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱564.8 million

2014	Amount Volume	Outstanding Balance Receivable	Terms	Conditions
Associates				
Vicinetum:				
Advances (Note 12)	₱ 229,517	₱ 1,084,898	Non-interest bearing	Unsecured, with allowance for doubtful accounts of ₱564.8 million

Compensation of the Group's key management personnel (in millions):

		2015		2014		2013
Short-term employee benefits (Note 21)	₱	154.7	₱	112.0	₱	100.1
Post-employment benefits (Note 23)		7.6		7.1		6.3
Total	₱	162.3	₱	119.1	₱	106.4

There are no termination benefits, share-based payments or other long-term employee benefits granted to key management personnel.

27. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, receivables, investments in debt instruments, quoted and unquoted equity securities, investments in mutual and hedge funds, and short-term and long-term bank loans. The Group's other financial instruments include accounts payable and dividends payable and amounts due to affiliates, which arose directly from operations.

The Company's investment objectives consist mainly of:

a) maintaining a bond portfolio that earns adequate cash yields and,
b) maintaining a stable equity portfolio that generates capital gains through a combination of long-term strategic investments and short-term to medium-term hold type investment.

The main risks arising from the use of these financial instruments are credit risk, liquidity risk, interest rate risk, equity price risk, foreign currency risk, and copper price risk. These risks are monitored by the Company's Investment Committee (the Committee).

The Committee evaluates the performance of all investments and reviews fund allocation to determine the future strategy of the fund. The Committee is formed by the Company's Chairman, Vice Chairman, Chief Finance Officer, and an independent consultant. These meetings occur at least every quarter. The BOD reviews and approves the Company's risk management policies. The Company's policies for managing each of these risks are summarized below.

Credit risk

The Group is exposed to credit risk primarily because of its investing and operating activities. Credit risk losses may occur as a result of either an individual, counter party or issuer being unable to or unwilling to honor its contractual obligations. The Group is exposed to credit risk arising from default of the counter parties (i.e., foreign and local currency denominated debt instruments and receivables) to its financial assets. The Group does not have a counter party that accounts for more than 10% of the consolidated revenue.

Credit risk management

In managing credit risk on these investments, capital preservation is paramount. The Group transacts only with recognized and creditworthy counter parties. Investments in bonds are invested in highly recommended, creditworthy debt instruments that provides satisfactory interest yield.

Credit risk exposures

The table below shows the gross maximum exposure for each class of financial assets before the effects of collateral, credit enhancements and other credit risk mitigation techniques:

	2015	2014
Cash in banks	₱ 1,296,692,431	₱ 1,341,444,528
Short-term investments	477,626,741	59,589,131
FVPL investments - bonds	481,184,519	560,889,748
AFS investments - debt instruments	907,451,753	1,174,457,942
	3,162,955,444	3,136,381,349
Loans and receivables:		
Trade	1,789,754,179	1,508,743,430
Notes receivable	40,000,000	40,000,000
Interest receivable	16,498,411	19,585,300
Receivable from villa owners	15,960,585	10,872,107
Advances to employees	12,374,133	10,170,075
Others	12,876,404	34,993,357
	1,887,463,712	1,624,364,269
	₱ 5,050,419,156	₱ 4,760,745,618

The Group has no collateral held as security nor credit enhancements as of December 31, 2015 and 2014, except for the notes receivable amounting to ₱20.8 million in 2013 from Tayabas Power guaranteed in full by SKI Construction Group, Inc., its parent company.

Credit quality per class of financial assets

For the Group's financial assets, credit quality is monitored and managed using internal credit ratings. Internal risk ratings are derived in accordance with the Group's rating policy. The table below shows the credit quality by class of financial asset based on the Group's credit rating system:

	Financial Assets that are Neither Past Due nor Impaired				
2015	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱ 1,296,692,431	₱ –	₱ –	₱ –	₱ 1,296,692,431
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments -					
Bonds	24,747,254	456,437,265	–	–	481,184,519
AFS investments -					
Debt instruments	165,885,612	741,566,141	–	–	907,451,753
Receivables:					
Trade	–	1,221,346,395	568,407,784	70,664,283	1,860,418,462
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	16,498,411	–	–	16,498,411
Receivables from villa owners	–	15,960,585	–	–	15,960,585
Advances to employees	11,771,382	602,751	–	–	12,374,133
Others	–	12,876,404	–	1,833,158	14,709,562
	₱ 1,976,723,420	₱2,505,287,952	₱ 568,407,784	₱ 72,497,441	₱ 5,122,916,597

	Financial Assets that are Neither Past Due nor Impaired				
2014	High Grade	Standard Grade	Past Due But Not Impaired	Impaired	Total
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments -					
Bonds	9,701,915	551,187,833	–	–	560,889,748
AFS investments -					
Debt instruments	54,467,526	1,119,990,416	–	–	1,174,457,942
Receivables:					
Trade	–	1,000,711,761	508,031,669	39,693,797	1,548,437,227
Notes receivables	–	40,000,000	–	–	40,000,000
Interest receivable	–	19,585,300	–	–	19,585,300
Receivables from villa owners	–	10,872,107	–	–	10,872,107
Advances to employees	–	10,170,075	–	–	10,170,075
Others	–	34,993,357	–	1,833,158	36,826,515
	₱ 1,465,203,100	₱2,787,510,849	₱ 508,031,669	₱ 41,526,955	₱ 4,802,272,573

The Group evaluates credit quality on the basis of the credit strength of the security and/or counter party/ issuer. High grade financial assets reflect the investment grade quality of the investments and/or counter party; realizability is thus assured. Standard grade assets are considered moderately realizable.

Financial assets that are past due but not impaired

The table below shows the aging analysis of past due but not impaired loans/receivables per class that the Group held. Under PFRS 7, a financial asset is past due when a counter party has failed to make a payment when contractually due.

	Financial Assets that are Past Due but Not Impaired				
December 31, 2015	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Trade and others	₱ 323,754,131	₱ 148,833,254	₱ 68,388,744	₱ 27,431,655	₱568,407,784

	Financial Assets that are Past Due but Not Impaired				
December 31, 2014	Less than 30 days	31 to 60 days	61 to 90 days	More than 91 days	Total
Trade and others	₱ 248,174,745	₱ 142,265,529	₱ 91,435,013	₱ 26,156,382	₱508,031,669

Liquidity risk

Liquidity risk is defined as the risk that the Group may not be able to settle or meet its obligations as they fall due. Aside from yielding good returns, the Group ensures investments have ample liquidity to finance operations and capital requirements. Short-term bank loans are secured to fill in temporary mismatch of funds for new investments.

Where applicable, long-term debt or equity are used for financing when the business requirement calls for it to ensure adequate liquidity in the subsidiaries and affiliates' operation.

The Group's approach to managing liquidity risk is to ensure that it will always have sufficient liquidity to meet its liabilities when they are due. This is done by primarily investing in highly liquid investments.

The tables below summarize the maturity profile of the Group's financial liabilities at December 31 based on undiscounted contractual payments as well as the financial assets used for liquidity management.

December 31, 2015	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 1,296,692,431	₱ –	₱ –	₱ –	₱ 1,296,692,431
Short-term investments	477,626,741	–	–	–	477,626,741
FVPL investments -					
Bonds	10,311,599	–	125,731,438	345,141,482	481,184,519
AFS investments -					
Bonds	56,534,651	286,241,765	564,675,337	–	907,451,753
Receivables	1,727,583,282	130,961,652	28,918,778	–	1,887,463,712
	₱ 3,568,748,704	₱ 417,203,417	₱ 719,325,553	₱ 345,141,482	₱ 5,050,149,156
Notes payable	₱ 26,197,832	₱ –	₱ –	₱ –	₱ 26,197,832
Accounts payable and					
accrued expenses*	785,148,507	–	–	–	785,148,507
Long-term debt	–	638,070,546	2,459,835,814	–	3,097,906,360
Interest payable	38,869,275	34,559,115	125,037,850	–	198,466,240
Dividends payable	229,648,921	–	–	–	229,648,921
	₱ 1,079,864,535	₱ 672,629,661	₱ 2,584,873,664	₱ –	₱ 4,337,367,860

**Excluding non-financial liabilities amounting to ₱131.0 million.*

December 31, 2014	Within 6 months	6 to 12 months	1 to 5 years	Over 5 years	Total
Cash in banks	₱ 1,341,444,528	₱ –	₱ –	₱ –	₱ 1,341,444,528
Short-term investments	59,589,131	–	–	–	59,589,131
FVPL investments -					
Bonds	–	9,701,915	–	551,187,833	560,889,748
AFS investments -					
Bonds	24,691,343	–	772,790,720	376,975,879	1,174,457,942
Receivables	1,535,882,523	88,481,746	–	–	1,624,364,269
	₱ 2,961,607,525	₱ 98,183,661	₱ 772,790,720	₱ 928,163,712	₱ 4,760,745,618
Notes payable	₱ 1,529,461,840	₱ –	₱ –	₱ –	₱ 1,529,461,840
Accounts payable and					
accrued expenses*	967,852,489	–	–	–	967,852,489
Long-term debt	–	237,502,643	1,934,135,533	–	2,171,638,176
Interest payable	61,705,069	31,629,919	195,659,481	–	288,994,469
Dividends payable	519,664,033	–	–	–	519,664,033
	₱ 3,078,683,431	₱ 269,132,562	₱ 2,129,795,014	₱ –	₱ 5,477,611,007

**Excluding non-financial liabilities amounting to ₱46.6 million.*

The Group's total financial liabilities due to be settled within one year include notes payable that management considers as working capital. Accounts payable and accrued expenses and dividends payable are expected to be settled using cash to be generated from operations and drawing from existing lines of credits or liquidity reserves.

Market risks

Market risk is defined as the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. It is the risk coming from adverse movements in factors that affect the market value of financial instruments of the Group. The Group is exposed primarily to the financial risks of changes in interest rates, equity price risk, price risk of mutual funds, and foreign currency risk.

Investments exposed to market risk are foreign and local currency denominated quoted debt instruments, foreign and local currency denominated equity instruments and mutual fund/hedge fund investments.

There has been no change to the Group's manner in managing and measuring the risk.

a. Interest rate risks

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The following tables demonstrate management's best estimate of the sensitivity (in millions) to reasonably possible change in interest rates, with all other variables held constant:

2015	Change in interest rates [in basis points (bps)]	Effect on income before tax Increase (decrease)
Floating debt instrument	+150	(₱ 29.73)
	-150	29.73

2014	Change in interest rates (in bps)	Effect on income before tax Increase (decrease)
Floating debt instrument	+150	(₱ 22.98)
	-150	22.98

The sensitivity analysis shows the effect on the consolidated statements of income of assumed changes in interest rates on the net interest income for one year, based on the floating rate of financial assets and liabilities held at December 31, 2015 and 2014. There is no other impact on equity other than those affecting profit and loss.

Fair value interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group accounts for its quoted debt instruments at fair value. Changes in benchmark interest rate will cause changes in the fair value of quoted debt instruments.

The tables below show the impact on income before income tax (in millions) and equity of the estimated future bond yields using a duration based sensitivity approach. Items affecting profit and loss are bonds classified as FVPL and items affecting equity account are bonds classified as AFS.

2015	Change in interest rates (in bps)	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+100	₱ –	(₱ 19.82)
	-100	–	21.02
FVPL investments	+100	(24.25)	–
	-100	28.36	–

2014	Change in interest rates (in bps)	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+100	₱ –	(₱ 28.38)
	-100	–	31.15
FVPL investments	+100	(34.58)	–
	-100	39.56	–

b. Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of the equity indices and the values of individual stock. The equity price risk exposure arises from the Group's investment in stock listed in the Philippine Stock Exchange (PSE).

The sensitivity analysis assumes that the stock's standard deviation on its historical returns for the past one year provides the basis for the range of reasonably possible changes in prices of the stock investments. In establishing the relative range of the stock investment returns, the Group also assumes a 99% confidence level.

The tables below show the impact on income before income tax and equity of the estimated future return of the stock investments (in millions) using a Beta-based sensitivity approach.

2015	Change in PSE price index	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+34.28%	₱ –	₱ 822.25
	-34.28%	–	(822.25)

2014	Change in PSE price index	Increase (Decrease) Effect on income before tax	Effect on equity
AFS investments	+28.02%	₱ –	₱ 1,080.93
	–28.02%	–	(1,080.93)

The annual standard deviation of the PSE price index is approximately 14.73% and 12.04% and with 99% confidence level, the possible change in PSE price index could be +/- 34.28% and +/-28.02% in 2015 and 2014, respectively. There are no outstanding stock investments listed in PSE that are classified as FVPL as of December 31, 2015 and 2014.

c. Price risk of mutual funds

The Group is exposed to the risk of changes in the fund's net asset value (NAV) due to its market risk exposures.

The sensitivity analysis demonstrates management's best estimate of the impact of reasonably possible change in NAV, with all other variables held constant.

The tables below show the impact on income before income tax and equity (in millions) of assumed changes in NAV. A negative amount in the table reflects a potential reduction on income before income tax or equity while a positive amount reflects a potential increase on income before income tax or equity.

2015	Change in NAV	Increase (Decrease) Effect on income before tax	Effect on equity
Mutual funds	**+10%**	**₱ 1.01**	**₱ 32.51**
	-10%	**(1.01)**	**(32.51)**

2014	Change in NAV	Increase (Decrease) Effect on income before tax	Effect on equity
Mutual funds	+10%	₱ 0.53	₱ 22.90
	-10%	(0.53)	(22.90)

d. Foreign currency risks

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rate. The Group's exposure arises primarily from investments in foreign currency denominated debt investments and equity securities.

The Company and a subsidiary's foreign exchange risk arises primarily from investments in foreign currency denominated debt and equity securities. To minimize income volatility due to exchange rate movements, liquid investments are held in a basket of currencies, including Philippine peso and other major currencies such as U.S. dollar, Euro and Japanese Yen. This also enables the Company and a subsidiary to access investment opportunities in those currencies. The Group occasionally engages in foreign currency forward contracts as a defensive measure against foreign currency volatility.

On borrowings, it is the Company's group-wide policy for its subsidiaries and associates where it has significant influence to minimize any foreign exchange risks. Thus, all borrowings whether short-term or long-term, in general, should be in Philippine peso. Any foreign currency borrowings may be engaged only if matched by the entities' corresponding currency revenue flows or by a foreign currency asset. As such, PRI, SSRLI and CGI can borrow in U.S. dollar as their revenues are dollar-based. It is also the policy of the Group to minimize any foreign exchange exposure in its management of payables. Any substantial exposure is covered by foreign exchange contracts, if necessary.

The analysis discloses management's best estimates of the effect of reasonably possible movement of the currency rate against the Philippine peso (in millions). It assumes that all other variables remain constant. A negative amount in the table reflects a potential reduction in income before income tax or equity, while a positive amount reflects a net potential increase in income before income tax or equity.

2015	Change in currency rate	Effect on income before tax Increase (Decrease)
US Dollar	+3.80%	(₱ 6.41)
	-3.80%	6.41
Japanese Yen	+8.51%	(0.76)
	-8.51%	0.76

2014	Change in currency rate	Effect on income before tax Increase (Decrease)
Japanese Yen	+8.39%	₱ 5.76
	-8.39%	(5.76)
US Dollar	+4.41%	(0.40)
	-4.41%	0.40

e. Copper price risk

The PDP Group uses copper rods in the manufacturing of its products. Copper rods component represents a significant portion of the cost of each unit produced. Average monthly purchase of copper rods amounted to ₱273.82 million with an average quantity of about 959 metric tons in 2015 and ₱311.15 million with an average quantity of about 952 metric tons in 2014.

Copper rods are priced based on the London Metal Exchange prices and are affected by the volatility (in millions) in the price of metal in the world market. The following table represents the effect on income before tax of the reasonably possible change in metal prices, as they affect prices of copper rods, with all other variables held constant:

	% Change in copper rod prices	Effect on income before income tax
2015	+11.11%	(₱ 31.58)
	-11.11%	31.58
2014	+1.26%	(4.69)
	-1.26%	4.69

The PDP Group's exposure to price risk on copper rod purchases is managed through back-to-back purchase of rods versus sales orders, average pricing on the firm orders like automobile wire products with long-term contracts, and obtaining orders from contractors with a fixed price or locked-in contracts with a specified period.

f. Operating and regulatory risk

CMSIS is accredited by the The Joint Commission, a private sector, US-based, not-for-profit organization. This accreditation significantly influences the CMSIS's credentialing and documentation processes for the traveling healthcare professionals. The Joint Commission accreditation is deemed as the Gold Seal of Standards for healthcare staffing companies and provides license to transact business with hospitals and association requiring The Joint Commission accreditation. Any changes on the accreditation rules and regulations may adversely affect the CMSIS's credentialing and operating procedures and ability to staff qualified healthcare professionals. The CMSIS manages its exposure to such risks by conducting internal audits and monitoring new rules and regulations from The Joint Commission.

With respect to its international business segment, the CMSIS is subject to regulations by the US State Department for the immigration of nurses and temporary work visa of therapists to the USA. These governmental regulations significantly influence the Group's ability to deploy nurses and therapists in the USA. The Group manages its exposure to such risks by actively monitoring legal and regulatory pronouncements issued by the US State Department.

Capital Management

Due to the diversity of the operations of each company in the Group, capital risk management processes in place are specific to each company. Below are the capital risk management policies of the Company and its more significant subsidiaries and associate:

a. The primary objective of the Group's capital management is to ensure an adequate return to its shareholders and to maximize its value to its shareholders. In pursuance of this goal, the Group establishes an optimum risk return investment objectives through a sound diversified investment portfolio and in ensuring a fair credit rating, the Group establishes prudent financial policies through appropriate capitalization ratios in its investments and maintain reasonable liquidity.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated balance sheet.

No changes were made in the objectives, policies or process for the years ended December 31, 2015 and 2014.

b. Cirrus' and CGI's capital management objectives are:

- To ensure its ability to continue as a going concern; and
- To provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

CGI monitors capital on the basis of the carrying amount of equity as presented on the face of its balance sheet.

CGI sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. It manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying business.

28. Financial Instruments

Categorization of Financial Instruments

December 31, 2015	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 1,774,319,172	₱ –	₱ –	₱ 1,774,319,172
FVPL investments	–	508,976,634	–	508,976,634
AFS investments	–	–	7,415,779,409	7,415,779,409
Receivables	1,887,463,712	–	–	1,887,463,712
	₱ 3,661,782,884	₱ 508,976,634	₱ 7,415,779,409	₱ 11,586,538,927

December 31, 2014	Loans and Receivables	Financial Assets at FVPL	AFS Investments	Total
Cash and cash equivalents	₱ 1,401,033,659	₱ –	₱ –	₱ 1,401,033,659
FVPL investments	–	595,681,712	–	595,681,712
AFS investments	–	–	10,091,991,319	10,091,991,319
Receivables	1,624,364,269	–	–	1,624,364,269
	₱ 3,025,397,928	₱ 595,681,712	₱ 10,091,991,319	₱ 13,713,070,959

Other Financial Liabilities	2015	2014
Notes payable	₱ 26,197,832	₱ 1,529,461,840
Accounts payable and accrued expenses*	785,148,507	967,852,489
Long-term debt, including current portion	3,097,906,360	2,171,638,176
Dividends payable	229,648,921	519,664,033
	₱ 4,138,901,620	₱ 5,188,616,538

** Excluding non-financial liabilities amounting to ₱131.0 million and ₱46.6 million in 2015 and 2014, respectively.*

Fair Values of Financial Assets and Liabilities

Set out below, is a comparison by class of the carrying amounts and fair value of the Group's financial instruments:

	December 31, 2015		December 31, 2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FVPL investments:				
Bonds	₱ 481,184,519	₱ 481,184,519	₱ 560,889,748	₱ 560,889,748
Funds and equities	6,352,114	6,352,114	8,621,964	8,621,964
Others	21,440,001	21,440,001	26,170,000	26,170,000
	508,976,634	508,976,634	595,681,712	595,681,712
AFS investments:				
Quoted equity shares	5,082,198,801	5,082,198,801	7,542,719,341	7,542,719,341
Bonds and convertible note	907,451,753	907,451,753	1,174,457,942	1,174,457,942
Funds and equities	108,212,393	108,212,393	311,119,241	311,119,241
Proprietary shares	190,450,322	190,450,322	171,051,352	171,051,352
Unquoted shares	861,146,084	861,146,084	703,437,468	703,437,468
	7,149,459,353	7,149,459,353	9,902,785,344	9,902,785,344
	₱ 7,658,435,987	₱ 7,658,435,987	₱ 10,498,467,056	₱ 10,498,467,056

The carrying amounts of cash and cash equivalents, receivables, notes payable, dividends payable and accounts payable and accrued expenses approximate their fair values due to the short-term maturity of these financial instruments. As of December 31, 2015 and 2014, AFS investments amounting to ₱266.4 million and ₱189.2 million, respectively, were carried at cost less impairment since these are investments in unquoted equity shares and the fair values cannot be measured reliably.

The carrying values of long-term debt, which have floating rates with quarterly repricing, approximate their fair values.

The following methods and assumptions were used to estimate the fair values:

- FVPL investments in bonds, funds and equities and others are derived from quoted market prices in active markets.

- AFS investments in bonds, quoted equity shares and funds and equities and proprietary shares are derived from quoted market prices in active markets.

- AFS investments in unquoted equity shares are based on the discounted cash flow (DCF) model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, and growth rate. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these unquoted equity investments.

The following table provides the Group's fair value measurement hierarchy of its assets:

As of December 31, 2015:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱ 481,184,519	₱ 481,184,519	₱ –	₱ –
Funds and equities	6,352,114	6,352,114	–	–
Others	21,440,001	21,440,001	–	–
	508,976,634	508,976,634	–	–
AFS investments:				
Bonds and convertible notes	907,451,753	907,451,753	–	–
Quoted equity shares	5,082,198,801	5,082,198,801	–	–
Funds and equities	108,212,393	108,212,393	–	–
Proprietary shares	190,450,322	190,450,322	–	–
Unquoted shares	861,146,084	–	–	861,146,084
	7,149,459,353	6,288,313,269	–	861,146,084
	₱ 7,658,435,987	₱ 6,797,289,903	₱ –	₱ 861,146,084

As of December 31, 2014:

		Fair value measurement using		
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FVPL investments:				
Bonds	₱ 560,889,748	₱ 560,889,748	₱ –	₱ –
Funds and equities	8,621,964	8,621,964	–	–
Others	26,170,000	26,170,000	–	–
	595,681,712	595,681,712	–	–
AFS investments:				
Bonds and convertible notes	1,174,457,942	1,174,457,942	–	–
Quoted equity shares	7,542,719,341	7,542,719,341	–	–
Funds and equities	311,119,241	311,119,241	–	–
Proprietary shares	171,051,352	171,051,352	–	–
Unquoted shares	703,437,468	–	–	703,437,468
	9,902,785,344	9,199,347,876	–	703,437,468
	₱10,498,467,056	₱ 9,795,029,588	₱ –	₱ 703,437,468

Description of significant unobservable inputs to valuation of financial instruments classified under Level 3 (in millions):

2015	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 10%	**5% to 15%**	**5%: fair value of ₱344** **15%:fair value of ₱347**
		Tuition fee increase by 5%	**0% to 5%**	**0%: fair value of ₱309** **5% fair value of ₱389**
		Cost of capital of 14%	**12% to 16%**	**12%: fair value of ₱438** **16%: fair value of ₱289**
KSA	DCF Model	Dividend payout is ₱60 million	**-5% to 10%**	**-5% fair value of ₱497** **10% fair value of ₱556**
		Liquidity discount of 20%	**10% to 30%**	**10%: fair value of ₱524** **30% fair value of ₱508**
		Cost of capital of 11.5%	**10% to 13%**	**10%: fair value of ₱571** **13% fair value of ₱469**

2014	Valuation technique	Significant unobservable inputs	Range	Sensitivity of input to fair value
Enderun	DCF Model	Student growth rate of 5%	5% to 15%	5%: fair value of ₱248 15%:fair value of ₱279
		Tuition fee increase by 5%	0% to 5%	0%: fair value of ₱286 5% fair value of ₱257
		Cost of capital of 11%	8% to 12%	8%: fair value of ₱290 12%: fair value of ₱282
KSA	DCF Model	Dividend payout is ₱40 million	-5% to 10%	-5% fair value of ₱402 10% fair value of ₱446
		Liquidity discount of 20%	10% to 30%	10%: fair value of ₱425 30% fair value of ₱409
		Cost of capital of 11%	10% to 12%	10%: fair value of ₱447 12% fair value of ₱389

An increase in the percentage of EBITDA over revenue would increase the fair value of the investment in Enderun.

An increase in the expected lease income of KSA would increase the dividend payout, which would lead to an increase in the fair value of the investment in KSA.

Reconciliation of fair value measurement of AFS assets in unquoted equity shares (in millions):

	Enderun	KSA	Total
As at 1 January 2014	₱ 286	₱ 389	₱ 675
Re-measurement recognized in OCI	–	28	28
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–		
As at 31 December 2014	286	417	703
Re-measurement recognized in OCI	59	99	158
Realized gains (losses) in profit or loss	–	–	–
Unrealized gains (losses) in profit or loss	–	–	–
Purchases	–	–	–
Reclassified in discontinued operations	–	–	–
Transfer into/out of Level 3	–	–	–
Sales	–	–	–
As at 31 December 2015	**₱ 345**	**₱ 516**	**₱ 861**

For the years ended December 31, 2015 and 2014, there were no transfers from Level 1, Level 2 and Level 3 fair value measurements.

29. Contracts and Agreements

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a. On February 26, 2009, CGI's BOD ratified the new Service Agreement with IQHPC with a revised fee equivalent to 3% of all billed expenses effective January 1, 2009.

b. In the ordinary course of business, IQHPC enters into Service Agreements with U.S. hospitals and/or staffing agencies to provide services in relation to the placement of qualified Filipino nurses for full time employment in the U.S. The Service Agreement sets forth the rights, responsibilities, terms and conditions governing IQHPC's services, which include among others, training and procedural assistance in obtaining all required licensure examinations, obtaining U.S. permanent residence status and eventual placement of the nurses to the U.S. hospitals and/or agency.

As of December 31, 2015 and 2014, IQHPC has outstanding Service Agreements with different U.S. hospitals and one with a staffing agency. Service income recognized in 2015, 2014 and 2013 amounted to ₱3.6 million, ₱3.4 million and ₱14.8 million, respectively.

c. CGI entered into a non-cancellable operating lease covering certain offices. The lease has terms ranging up to three years, with renewal options and includes annual escalation rates of 5% to 10%. In 2015, the lease agreement was renewed for one year term ending July 31, 2016.

The future minimum rentals payable under the non-cancellable operating lease within one year from the balance sheet date amounted to ₱1.7 million as of December 31, 2015 and 2014.

Rent expense in 2015, 2014 and 2013 amounted to ₱2.8 million, ₱2.8 million and ₱2.6 million, respectively.

d. In May 2010, CGI entered into a sublease agreement with a third party covering its office space. The sublease has a term of one year ending April 30, 2011 renewable upon mutual agreement of both parties. Upon its maturity, the sublease agreement was renewed for several periods. The extended sublease agreement ended last July 31, 2014.

In October 2014, CGI entered into sublease agreement with another third party covering its office space renewable upon mutual agreement of both parties. The initial sublease agreement is for a period of eight months ending July 15, 2015. At the end of the lease term, the sublease agreement was renewed and extended until July 15, 2016.

Rent income from the sublease agreement in 2015, 2014 and 2013 amounted to ₱0.7 million, ₱0.6 million, and ₱0.8 million, respectively.

e. In 2014, advances to CGI amounting to ₱6.0 million were assigned to Sutton in exchange for its 948 common shares, respectively.

f. On April 2012, the Company entered into a Service Agreement with Cleveland Clinic Abu Dhabi (CCAD) for the Company to provide nurses for deployment in Abu Dhabi. In consideration of the services provided by the Company, the Service Agreement provides that CCAD shall pay a lump-sum fee of 17% of the first year salary, exclusive of benefits, of each candidate that satisfactorily completes all legal and regulatory requirements to live and work at CCAD.

Permitted fees are to be invoiced in the following manner:

- 25% of fee upon signing the contract offer of employment;
- 50% of fee upon deployment; and
- 25% of fee upon completion of the probationary 90-day time period at CCAD.

CGI records deferred revenue equal to a percentage of service fee involved to CCAD. Portion of the deferred revenue were already advanced by CCAD and are refundable once the service agreements are not met.

Cirrus

a. Cirrus Holdings USA, LLC and Cirrus Allied, LLC have various staffing contracts with their U.S. clients concerning certain rates and conditions, among others. Service income amounted to ₱1.91 billion, ₱1.25 billion, and ₱1.25 billion in 2015, 2014 and 2013, respectively.

b. Cirrus has entered into a third party non-cancellable operating lease agreements for the rental of office space and equipment. The leases include options to renew, as well as rent escalation clauses and in certain cases, incentives from the landlord for rent-free months and allowances for tenant improvements.

As of December 31, 2015 and 2014, future minimum lease payments associated with these agreements with terms of one year or more are as follows:

		2015		2014
Within one year	₱	**9,377,598**	₱	9,770,918
After one year but not more than five years		**20,559,102**		31,350,732
	₱	**29,936,700**	₱	41,121,650

Rent expense in 2015, 2014 and 2013 amounted to ₱10.7 million, ₱10.9 million and ₱11.4 million, respectively.

c. On December 10, 2010, Cirrus acquired NT, a company maintaining web domains for nurses and physical therapist, and agreed to pay a maximum total consideration amounting to US$1.06 million for the net assets of NT as of purchase date. Of the amount, US$0.51 million will be paid by Cirrus provided certain revenue and earnings target are met. To facilitate the transaction, the Company made advances to AI in the amount of US$840,000 (₱37.09 million).

ASAC

ASAC enters into a lease agreement for ground handling equipment in the conduct of its operations. The lease agreement is in force for a period of not more than one year unless all parties formally extend the said term.

IAI

a. On August 23, 2006, IAI entered into a Maintenance Service Plan (MSP) with Honeywell effective for five years for the latter to service IAI's additional aircraft engine acquired in 2007. Under the terms of the programs, IAI agrees to pay a fee computed at a rate of engine's actual operating hours or the minimum operating hours, subject to annual escalation. The engine shall be shipped to the United States to undergo repairs and maintenance as necessary, by a Honeywell authorized service center. The contract was renewed under the same terms in 2011. Deposits for the MSP as of December 31, 2015 and 2014 amounted to ₱14.16 million and ₱45.81 million, respectively, and included as part of "Other noncurrent assets" account in the consolidated balance sheets.

b. IAI conducts its operations from leased facilities which include the aircraft hangar, parking lots and the administrative office. The lease agreement is for a period of two years commencing on September 1, 2009 and is subsequently renewed for another two years upon its termination in 2011 and 2013. The renewed lease agreement will terminate in August 2017.

The same shall be renewable upon mutual agreement if either party receives no notice of termination. Rent expense recognized in operations amounted to ₱2.9 million in 2015, ₱2.8 million in 2014 and ₱2.7 million in 2013.

Future minimum annual rentals payable under this lease are as follows:

		2015		2014
Not later than one year	₱	3,114,911	₱	1,857,143
Later than one year but not later than 5 years		2,076,607		–
	₱	5,191,518	₱	1,857,143

SSRLI and PRI

a. Since 1995, the Company charges PRI a monthly fee amounting to US$4,000 or its Peso equivalent for the Company's general, administrative, treasury, tax and legal services rendered to SSRLI.

b. PRI executed in the past an Operating and Management Agreement (OMA) with Amanresorts Management, B.V. (AMBV, the Operator of Amanresorts), a company based in Amsterdam, the Netherlands, for a fee of 5% of PRI's gross operating profits, as defined in the OMA. The OMA provides for, among others, the reimbursements by PRI to Amanresorts of all costs and expenses incurred by the latter in connection with the management and operation of resort and a reserve cash funding equivalent to 4% of gross revenues which will be used to cover the cost of replacements, renewals, and additions to furniture, fixtures and equipment. On June 24, 2013, both parties have mutually entered into a new OMA, effective on the same date, in which PRI will pay a basic fee amounting to 4% of gross revenue and an incentive fee of 10% based on the gross operating profit collectively known as management fee. In addition to the management fees discussed, PRI shall also reimburse AMBV for all costs and expenses incurred by AMBV directly in connection with rendering services under the new OMA.

Likewise, marketing services and license contracts with AMBV were entered into by PRI in the past, providing marketing fee of 3% of the resort's annual gross hotel revenues and US$1,000 monthly fee, respectively. On June 24, 2013, both parties mutually entered into a new marketing services agreement of the same terms and conditions except for a lower marketing fee rate of 1% of gross revenue from 3%.

PRI also executed a Reservation Services Agreement with Hotel Sales Services Ltd. (HSSL) in which PRI will pay the latter a monthly fee of 6.5% of the gross accommodation charges processed through HSSL's central sales and reservation offices, with the exception of bookings made through the global distribution system which cost US$100 per booking. Upon commencement of the service agreement on June 24, 2013, PRI paid an establishment fee of US$1,500. PRI pays annual maintenance fee of US$1,000 to HSSL. The agreement will expire upon the date the Hotel is no longer managed by AMBV.

PRI also obtained from Amanresorts I.P.R.B.V. (AIPRBV), a company incorporated in Amsterdam, the Netherlands, the nonexclusive license to use the Amanresorts Marks in connection with the operation of the Resort.

The OMA, marketing and license contracts will expire on the June 23, 2018. Further, AMBV has the option to extend the operating term for a period of 5 years from the date of its expiration. Total fees related to these agreements amounted to ₱51.8 million, ₱34.8 million and ₱17.9 million in 2015, 2014, and 2013, respectively.

c. SSRLI has an agreement with IAI for the latter to provide regular air service. IAI shall charge SSRLI a fixed round trip rate per passenger, subject to an annual review by both parties, with a guarantee that all of IAI's operating costs will be covered.

As a result of the transfer of resort operations from SSRLI to PRI (see Note 12), the latest renewal of the air service agreement was made between PRI and IAI covering a three-year period from July 1, 2011 to June 30, 2014. The duration of the contract may be extended upon such terms and conditions as may be mutually agreed by both parties.

d. PRI entered into a lease agreement with IAI for the Guest Lounge and Purchasing Office. The lease agreement has duration of two years and was executed in September 2013. The agreement provides that the Company is not allowed to sublease any part of the leased premises. In 2015, the lease agreement was renewed for another two years. The agreement provides that PRI is not allowed to sublease any part of the leased premises.

Rent relating to the lease amounted to ₱2.5 million in 2015, and ₱1.9 million in 2014 and 2013.

e. In January 2007, APHI and SSRLI entered into a consultancy agreement whereby APHI will provide project management, general and specific administration and supervision over pre-construction and post-construction stages of SSRLI's Amanpulo Phase 2 and other capital expenditure projects for a certain fee agreed by the two parties. As of December 31, 2011, the consultancy contract is still in effect but at a reduced fee.

f. On May 31, 2013, APHI and SSRLI entered into a management contract in which APHI will provide technical advice, supervision and management services and general administration for various Phase 3-A villa projects, such as but not limited to other Amanpulo special capital expenditure projects. SSRLI shall pay a fixed monthly fee amounting to ₱615,000 exclusive of VAT, effective June 1, 2013 until the projects have been completed, delivered and accepted by SSRLI.

g. On July 1, 2011, PRI entered into management agreements with the villa owning companies wherein PRI shall provide general maintenance and accounting and administrative services for the villas. PRI shall also be responsible for the marketing and promotion of the villas. In return for these services, PRI shall be entitled to 50% of the net villa rental proceeds. PRI shall also receive reimbursements of costs, with 15% handling fees (except for utilities), incurred in providing services to the villa guests. PRI's total villa management and handling fees amounted to ₱75.1 million, ₱63.2 million and ₱57.2 million in 2015, 2014, and 2013, respectively, and is presented as part of "Services revenue" in the consolidated statements of income.

As part of the agreement, PRI will also maintain a fund which shall be used for future maintenance requirements of the villas. As of December 31, 2015 and 2014, the restricted fund amounted to ₱65.3 million and ₱39.8 million, respectively, which is included under "Other noncurrent assets" and "Other noncurrent liabilities" in the consolidated balance sheets (see Note 15).

h. In November 2005, the DENR awarded to SSRLI the exclusive use of the foreshore land surrounding the Pamalican Island, where Amanpulo Resort is situated. The award has a duration of 25 years which may be renewed for another full period at the option of SSRLI. Annual rent shall be paid in advance on or before the 16th day of November every year.

On October 3, 2012, PRI entered into a lease agreement with SSRLI covering the land where PRI operates and certain resort-related assets for a period of 20 years. Annual lease rental amounted to ₱53.5 million payable within the first five days at the beginning of each quarter.

Future minimum lease payments under these lease agreements as of December 31 are as follows:

		2015		2014
Within one year	₱	**45,390,751**	₱	54,904,336
After one year but not more than five years		**172,927,167**		267,500,000
More than five years		**449,400,000**		561,658,453
	₱	**667,717,918**	₱	884,062,789

i. In 2014, SSRLI entered into a Construction Service Contract (Service Contract) with the PEZA-registered villa owners in which SSRLI shall provide project management general and specific administration and supervision over the preconstruction and post-construction stages of the Project. The villa owners shall pay SSRLI a handling fee which represents 15% of the actual project cost during the villa construction or renovation. In 2015 and 2014, SSRLI recognized handling fee, included under "Other income (charges)" account which amounted to ₱56.48 million and ₱17.71 million, respectively.

j. In 2015, SSRLI redeemed Class A preferred stock of 117,080,330 shares and Class B preferred stocks of 82,919,670 shares amounting to ₱200.0 million.

PDIPI and Subsidiaries

a. The Company has a management contract with PDP Energy which provides, among others, for payment of annual management fees amounting to ₱7.2 million (VAT inclusive) plus certain percentages of audited income before tax and management and technical assistance fees (VAT exclusive). Due from PDP Energy amounted to ₱15.2 million and ₱16.9 million (eliminated in the consolidated financial statements) as of December 31, 2015 and 2014, respectively (see Notes 9 and 26). Management fees amounted to ₱71.0 million (eliminated in the consolidated financial statements), ₱62.2 million and ₱58.9 million in 2015, 2014 and 2013, respectively.

b. Beginning January 2004, PDP Energy entered into a technical assistance contract with Phelps Dodge International Corporation which provides an annual payment of technical fees amounting to a certain percentage of audited income before tax (VAT inclusive). There will be no technical fees starting 2015. Technical fees amounted to ₱57.7 million and ₱52.5 million in 2014 and 2013, respectively. These are included in "Management fee" in the Group's consolidated statements of income. On December 19, 2014, PDP Energy entered into a technical assistance and support agreement with General Cable Corporation (GC). The agreement provides that GC shall make available to PDP Energy technical assistance and support services which include, among others the availability of technical and qualified resource persons with expertise in materials, technologies and manufacturing processes to be made available to PDP Energy through periodic consultation meetings with PDP Energy personnel and technical visits to PDP Energy.

c. In 2008, PDP Energy entered into a contract of lease with a third party covering the lease of its office building. The contract is for a two year lease period and renewable at the option of both parties. The contract ended in 2013 and was no longer renewed. In line with this, PDP Energy entered into a contract of lease with another third party for the lease of its office building. The term is for a period of five years and renewable at the option of both parties.

The future aggregate minimum lease payments under the new operating lease are as follows:

		2015		2014
Not later than 1 year	₱	**6,533,374**	₱	5,593,233
More than 1 year but not later than 5 years		**10,344,029**		10,440,703
	₱	**16,877,403**	₱	16,033,936

d. On December 19, 2014, PDIPI entered into a trademark licensing agreement with General Cable Technologies Corporation (GC) wherein GC will grant a perpetual and exclusive license to PDIPI to use the Phelps Dodge trademark in the manufacture and sale of wires and cables in the Philippines. On the same date, PDP Energy entered into a distributor and representative agreement with General Cable Industries Inc. (GC) which provides, among others, the exclusive distributor, reseller and representative for the sale of GC products to customers within the Philippines.

30. Other Matters

a. ASAC is a founding member of the Federation of Aviation Organizations of the Philippines (FEDAVOR) since 1986. In 2005, FEDAVOR won a Supreme Court case against MIAA involving its imposition of higher rates for rental and other services without a public hearing. ASAC accrued its share in FEDAVOR's legal expenses in 2006. In 2009, MIAA filed and subsequently won their motion for reconsideration with the Court of Appeals ruling that all refunds have to be coursed through the Commission on Audit. As of December 31, 2015, the refund process has remained pending.

With no quick resolution in sight and in view of the change in the MIAA administration, ASAC had planned to enter into a new lease contract with the MIAA, with ASAC as the lessor and IAI as sublessor. However, due to the MIAA's denial of its request to modify and/or delete the onerous provisions contained in the contract, ASAC decided to withdraw its lease application in late 2013 and is now back to sublessee status. ASAC recognized accruals amounting to ₱1.14 million as of December 31, 2015 and 2014 for the Concessionaire's Privilege Fees which covers the subleasing that the MIAA is set to bill ASAC.

b. ASAC is a defendant in labor lawsuits and claims. As of December 31, 2015 and 2014, management has recognized provisions for losses amounting to ₱5.72 million (see Note 17) that may be incurred from these lawsuits.

c. SSRLI has commitments, litigations and contingent liabilities that arise in the normal course of the SSRLI's operations which are not reflected in the consolidated financial statements. Management is of the opinion that as of December 31, 2015 and 2014, losses, if any, from these commitments and contingencies will not have a material effect on the consolidated financial statements.

31. Subsequent Events

On March 2, 2016, the BOD of Anscor approved the appropriation from unrestricted retained earnings the amount of ₱100.0 million. The appropriated retained earnings will be used for Anscor's investment program within the next three years on investment programs related to the services sector, tourism and manufacturing which operations are based within and outside the Philippines.

On the same date, Anscor's BOD approved the declaration of cash dividends amounting to ₱500.0 million (₱0.20 per share) to stockholders of record as of March 23, 2016, which will be paid on April 20, 2016.

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