ALLIANCE GLOBAL

BURSTS OF INNOVATION

ANNUAL REPORT 2015

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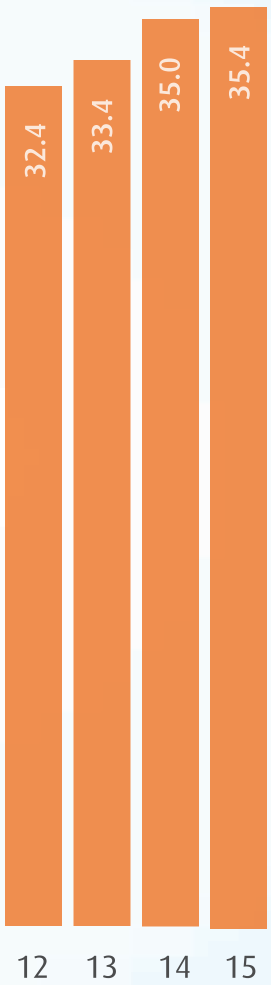
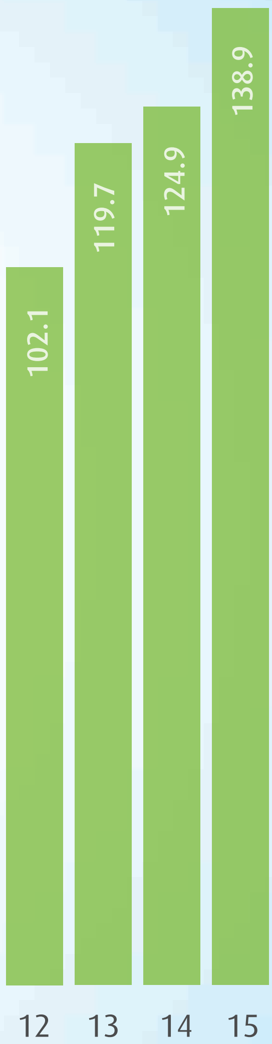
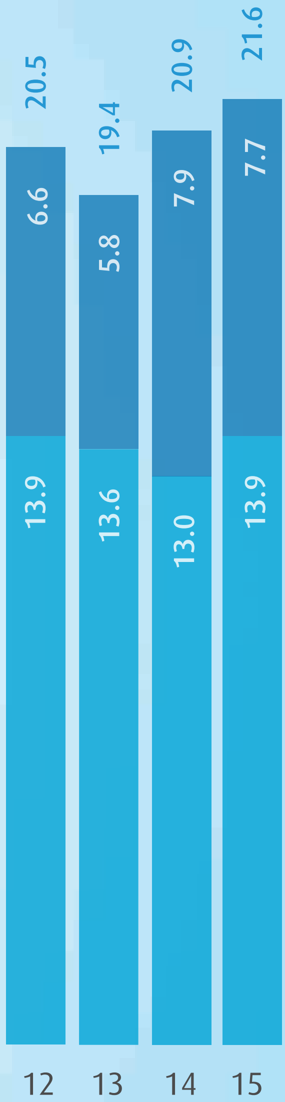
FINANCIAL HIGHLIGHTS



EBITDA
(in Billion Pesos)



Revenues
(in Billion Pesos)



Net Profit
(in Billion Pesos)

EBITDA is profit before tax, interest expense, depreciation and amortization.
All figures are exclusive of non-recurring gains.

Attributable to:
- Non-controlling interest
- Owners of AGI

MESSAGE FROM THE CHAIRMAN

The year 2015 will be remembered as the year when Alliance Global Group, Inc. (AGI) set records in net income and consolidated revenues as we continued our thrust to expand our geographic footprint both in the Philippines and across the globe.

We posted P21.6 billion in net income, reflecting a 3.5% improvement over the previous year, driven by sustained gains of our major businesses which include property development, food and beverage manufacturing and distribution, quick-service restaurants, and integrated tourism development. This was achieved on the back of a robust 10.9% year-on-year growth in consolidated revenues to P139 billion, the highest in our company's history.

All our businesses delivered strong results in 2015. Megaworld Corporation recorded a 10.6% year-on-year increase in core net income to P10.4 billion, driven by its development and investment projects within its townships throughout the country. Emperador Inc. posted a 12.2% year-on-year growth in net profit to P7.0 billion as the full year contribution from its Scotch whisky business under Whyte and Mackay pushed revenues to grow to P43.6 billion. Travellers International Hotel Group Inc. registered a net income of P4.0 billion as it continued to build on its mass and premium mass gaming segments and raise the contribution from its non-gaming businesses. Golden Arches Development Corporation generated P760 million in net income as it benefitted from its aggressive store expansion program.

Our company's outstanding performance is a result of our continuous efforts to innovate and remain proactive in order to keep our leadership in an increasingly challenging and competitive market. This is part of our commitment and dedication to sustain our company's growth.

For instance, four out of five of Megaworld's new live-work-play-learn townships launched in 2015 are located outside of Metro Manila. These are in Pampanga (for its township called Capital Town Pampanga), Bacolod (The Upper East and Northill Gateway) and Iloilo (Sta. Barbara Heights). The company has also intensified its thrust to grow its recurring income stream with more office, commercial and hotel projects to complement our residential development. Backed by its huge landbank of over 3,300 hectares, Megaworld's move is in line with its efforts to tap various areas throughout the country where it could replicate its successes in township development. These undertakings are expected to provide the company with new sources of growth moving forward.

While maintaining its leadership in the domestic market through its premiumization strategy, Emperador is also fast-becoming a truly global liquor player. The purchase of Bodegas Fundador and other Spanish assets, coming just a year after the acquisition of Whyte and Mackay, has provided Emperador with internationally-renowned brands and market access to over 100 countries throughout the world. Now, The Dalmore and Jura Scotch whiskey and the iconic Fundador brandy sit well together with Emperador's own Andy Player premium whisky which was relaunched during the year. These brands complete the roster of Emperador products that cover all segments of the market and which could provide the company with another leg for growth in the near future.

Travellers International Hotel Group, Inc., which owns and operates Resorts World Manila (RWM), remains to be the country's most profitable tourism-entertainment and gaming company. To further enhance its position in the industry, Travellers is committed to complete its ongoing expansion programs within RWM. Its Marriott Grand Ballroom, which became operational in 2015, is now a preferred venue for MICE (meetings, incentives, conventions and exhibition) activities and now contributes to the group's non-gaming revenues. It is Travellers' intention to further grow its non-gaming component alongside its mass and premium mass segment to sustain its profitable operations even amidst intensifying competition in the gaming sector.

Golden Arches Development Corporation, which owns the master franchise for McDonald's in the Philippines, grew its revenues by 9% year-on-year, boosted in part by its new restaurant openings, reimaging of existing ones, and the introduction of new products and enhanced services. These activities ensure that McDonald's remains relevant and adaptable to the changing tastes, preferences and lifestyle of its consumers.

Our strong operating performance in 2015 only serves to inspire us to continue to do better to accelerate our growth trajectory and maintain our market leadership. We have already laid out the foundation and made significant investments across all our business segments, both here and abroad, in order to future-proof our growth. On that note, I would like to express my deepest appreciation to all our employees, our management team, and our business partners for their unwavering dedication and support. With our strong commitment to succeed, we look forward to setting new milestones for the Group in 2016 and beyond.

We have already laid out the foundation and made significant investments across all our business segments, both here and abroad, in order to future-proof our growth.

ANDREW L. TAN
Chairman & CEO

OPERATIONAL HIGHLIGHTS

MEGAWORLD

As the country's largest developer of integrated urban townships and the biggest lessor of office spaces, Megaworld Corporation breached the P10-billion mark in core net income for 2015. Core profit reached P10.4 billion (net of P181 million in non-recurring gain), representing a 10.6% increase from last year's P9.4 billion (net of P12.2 billion in non-recurring gain). The strong performance came on the back of a 9.4% year-on-year improvement in consolidated core revenues to P44.8 billion which include mainly real estate sales, rental income, hotel and other revenues.

EMPERADOR INC.

The purchase of Bodegas Fundador and other Spanish assets which came close on the heels of the acquisition of Whyte and Mackay, further strengthened Emperador Inc.'s position for its brandy and whisky products in the global spirits market. Now a true global player, the company has firmed up its platforms for international expansion and domestic premiumization for the Emperador brand. Total revenues grew 36.4% to P43.6 billion from P32.0 billion in 2014, boosted by the full year contribution from Whyte and Mackay. Gross profit improved by 23.8% to P13.7 billion in 2015 from P11.0 billion in 2014. Net profit increased by 12.2% to P7.0 billion from P6.2 billion.

TRAVELLERS INTERNATIONAL

Travellers International Hotel Group Inc., owner and operator of Resorts World Manila, reported consolidated gross revenues of P27.7 billion in 2015. The company remains resilient and profitable, ending the year with P4.0 billion in net income and EBITDA of P6.2 billion.

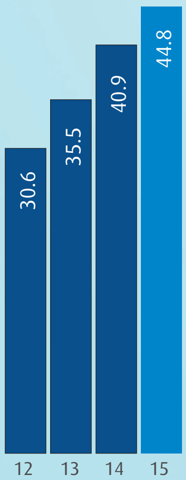
GOLDEN ARCHES DEVELOPMENT CORPORATION

The McDonald's franchise of Golden Arches Development Corporation continues to reach more customers across the country as it opened 28 new stores in 2015, ending the year with 481 stores nationwide. The renovation of existing stores also continues, bringing a more modern and comfortable ambiance to customers. In 2015, McDonald's posted a 13.9% year-on-year growth in systemwide sales. Its market share in the QSR industry (NCR) increased to 28.2% in 2015 vs the previous year's 25.4%.

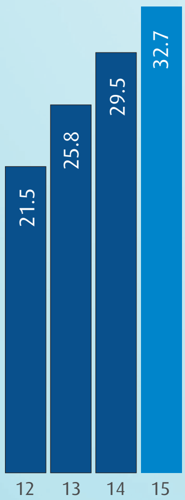
MEGAWORLD

Closing 2015 with 20 developments in Luzon, Visayas and Mindanao, Megaworld continues to redefine modern urban living by integrating residences, offices, commercial centers and learning institutions in master-planned townships. Megaworld's "Live-Work-Play-Learn" concept is now the standard by which community developments in the Philippines are judged.

Megaworld capped 2015 with the launch of 5 townships: the Upper East and Northill Gateway in Bacolod City; Sta. Barbara Heights in Sta. Barbara, Iloilo; Capital Town Pampanga in San Fernando City, Pampanga; and, Westside City in Parañaque, Metro Manila.

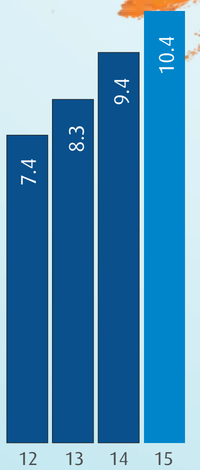


Consolidated Revenues
(in Billion Pesos)



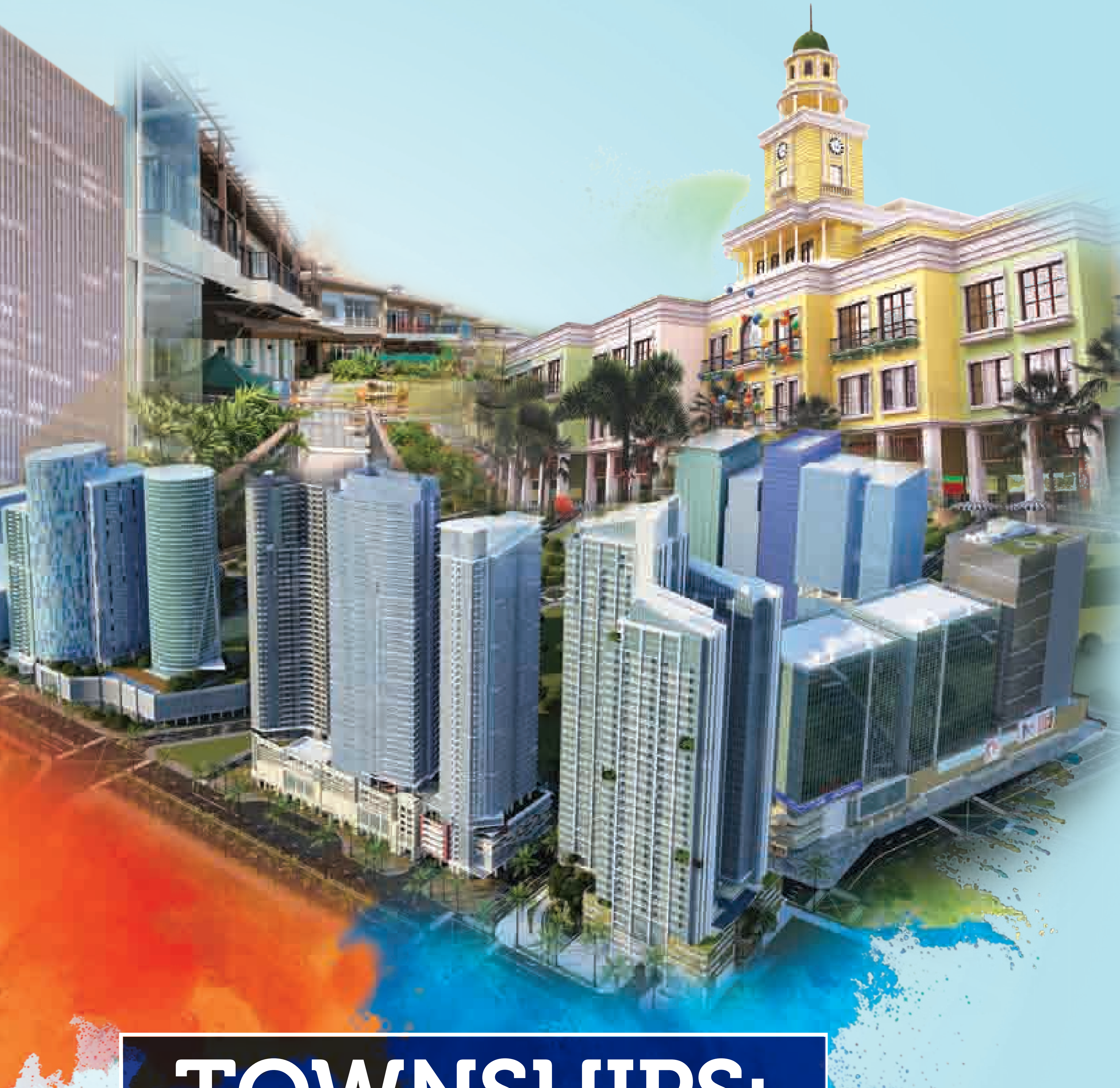
Real Estate Revenues
(in Billion Pesos)

EBITDA
(in Billion Pesos)



Net Income
(in Billion Pesos)

All figures are exclusive of non-recurring gains.



TOWNSHIPS: LIVE IT! LOVE IT!

EASTWOOD CITY

The first township to showcase Megaworld's signature Live-Work-Play-Learn lifestyle concept, Eastwood City's 18.50-hectare prime community property in Libis, Quezon City has 19 completed luxury condominium towers, 10 first-class corporate office buildings, and a modern IT park. It is home to more than 25,000 residents and 55,000 workers. It hosts the four-level Eastwood Mall – a shopping and dining destination hailed several times as the "Best Shopping Center" by the Philippine Retailers Association. Eastwood City has three malls and around 500 commercial and retail shops.

McKINLEY HILL

McKinley Hill is Megaworld's biggest township in Metro Manila. It occupies 50 hectares in Fort Bonifacio, Taguig City and features Spanish and Italian aesthetics in its 36 residential condominiums, 4,716 apartments and 482 residential lots, 15 office buildings, and 90 restaurant and commercial stores. The European ambience is most evident in the Venetian-inspired commercial centers such as the Venice Piazza and the Venice Grand Canal Mall. The McKinley Hill CyberPark is an economic zone accredited by the Philippine Economic Zone Authority (PEZA) with about 300,000 square meters of office space in 17 buildings. McKinley Hill is home to three foreign embassies and three international schools.

MEGAWORLD

Forbes Town Center

Forbes Town Center in Fort Bonifacio inspired by the Bugis district in Singapore, is strategically located to bring its residents close to the headquarters of the largest local and multinational companies in the Philippines. It has a retail strip with 37 restaurants and hosts the upscale Bellagio Towers, Forbeswood Heights, Forbeswood Parklane, and Eight Forbes Town Road. It is next to such landmarks as Forbes Park, Dasmariñas Village, the Manila Polo Club and the Manila Golf and Country Club.

MCKINLEY WEST

McKinley West is a prestigious 34.50-hectare, P45-billion residential township where prime lots have appreciated as much as 110% since its launch in 2010. When completed, it will have rows of luxury residential estates designed by some of the world's leading European architects to have state-of-the-art security features and luxury amenities. The upscale residential enclave will be supplemented by a modern business district of sustainable office buildings, an international school, and a chic commercial center. These will all be complemented by open spaces and lush greenery. Ingress and egress points are conveniently located along Lawton Avenue which connects Fort Bonifacio to Pasay City and Makati City.

MEGAWORLD

UPTOWN BONIFACIO

Uptown Bonifacio is modeled after the most progressive cities around the world – Paris, London, Milan, New York and Tokyo. A joint venture between Megaworld and the Bases Conversion and Development Authority, Uptown covers 15.40 hectares of which about 500,000 square meters have been allocated for residences – roughly 400,000 square meters for offices, and around 90,000 square meters for commercial spaces. The township is easily accessible via Kalayaan Avenue, C-5 Road and EDSA. It is also near Forbes Town Center, St. Luke's Medical Center and several international schools.

NEWPORT CITY

Newport City, located right across from Terminal 3 of the Ninoy Aquino International Airport is a 25-hectare integrated tourism estate that has established itself as a major leisure, entertainment and gaming destination. It is home to Resorts World Manila, a joint venture between Travellers International Hotel Group Inc. and the Genting Group. Resorts World Manila features an upscale shopping mall, a state-of-the-art performing arts theater, and a world-class gaming center. Several hotels, two gaming centers, two malls, and the Marriott Grand Ballroom are part of its future development.

MEGAWORLD

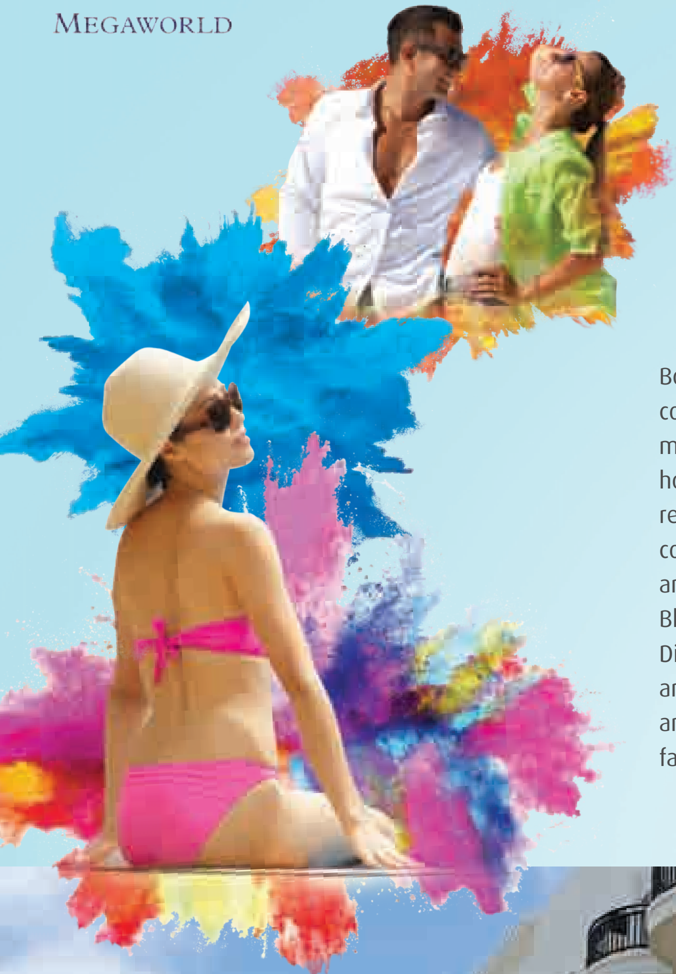
THE MACTAN NEWTOWN

The Mactan Newtown in Cebu is Megaworld's first township venture outside Luzon. This 30-hectare township near the Mactan-Cebu International Airport has its own beach and combines high-end office towers, luxury condominiums, leisure amenities, retail shops, a school, and upscale hotels. Its residential offerings are now the choice addresses of foreign retirees who have been granted attractive residence options by the Philippine Retirement Authority. It is home to several BPO companies and will soon have five hotels and its own world-class beach club and sports facilities.

ILOILO
BUSINESS PARK

The 72-hectare Iloilo Business Park is located at the old site of the Iloilo Airport in Mandurriao. Its centerpiece is the Iloilo Convention Center, a joint venture between Megaworld and the local government of Iloilo. It also features The Street of Festive Walk, a 1.1-kilometer retail strip inspired by outlet shops in America and envisioned to be the longest shop-and-dine street outside of Metro Manila. Iloilo Business Park has launched three residential condominium developments to date – One Madison Place Luxury Residence, Lafayette Park Square and The Palladium, the tallest building in the region at 22 storeys high.

MEGAWORLD



BORACAY NEWCOAST

Boracay Newcoast is the single largest piece of property in what is considered to be one of the best islands in the world. The 150-hectare mixed-use leisure and resort development includes luxury and boutique hotels, commercial and retail districts, upscale villas, and an exclusive residential village. The township's main attractions are the kilometer-long coastline with three beach coves, a grand plaza called Newcoast Station, and the 18-hole Graham Marsh championship golf course in Fairways & Bluewater. Its other offerings include: the Shophouse and Boutique Hotel Districts; Oceanway Residences, a cluster of mid-rise condominiums with amazing views of the Sibuyan Sea; Mt. Luho, the island's highest peak; and, The Newcoast Village, a luxury residential enclave patterned after famous Mediterranean coastal villages.

TWIN LAKES

The 1,200-hectare Twin Lakes in Laurel, Batangas is the Philippines' first vineyard resort community and Tagaytay's first master-planned integrated tourism estate. It is comprised of three mid-rise condominiums of The Vineyard and 33.79-hectare Domaine Le Jardin – a garden-themed subdivision with a perfect view of the famous Taal Volcano. The Vineyard will have its own sports club and spa, wedding venue, and a 10-hectare vineyard that will produce real grapes that can be processed, stored and aged in its own chateau. Also part of Twin Lakes are commercial hubs, hotels, and a wellness center.

MEGAWORLD

ArcoVia City

Envisioned as an environment-friendly community, the 12.40-hectare ArcoVia City is located along the C-5 Road in Pasig City. Sustainable buildings registered under LEED are the standard of office developments in this township, with the first two to rise designed by world-renowned architectural firm Skidmore, Owings & Merrill. Other green features of ArcoVia City are a rainwater catchment facility, a network of bicycle lanes, and wide tree-lined sidewalks. Aside from office towers, the township will have residential condominiums, a lifestyle mall, retail and commercial strips, and open parks.

DAVAO PARK DISTRICT

Davao Park District, set to be the center of commerce in Mindanao, is an 11-hectare property which used to be the Lanang Golf and Country Club. The township is envisioned to be a center for BPO and other corporate entities over the next seven years. It will have office towers, a lifestyle mall, commercial and retail strips, open parks, a lagoon and a school.

MEGAWORLD

SUNTRUST ECOTOWN TANZA

Suntrust Ecotown in Tanza, Cavite is Megaworld's first mixed-use development that integrates an industrial park in a township. Of its total area of 350 hectares, approximately 111 hectares will be allotted for the industrial park for world-class light to medium export-oriented industries. The industrial park will also have PEZA and Bureau of Customs offices where tenant-locators can fast-track their business permit requirements, as well as its own administration office, fire station, chapel, parking for container vans, guardhouse and transport terminal. An additional 40 hectares are earmarked for expansion and will have lifestyle amenities such as commercial and retail hubs, a driving range, and a swimming pool among others.

SOUTHWOODS CITY

Southwoods City is the largest and only fully-integrated township with a golf course south of Metro Manila. The 561-hectare property is a mixed-use development that features the Jack Nicklaus-designed Manila Southwoods Golf and Country Club, a central business district, a mall, schools, a church and a medical facility. Within Southwoods City is Pahara, a 26-hectare residential village consisting of over 600 lots, each having a spectacular view of the golf course and the Laguna de Bay. Pahara has a Mediterranean-inspired architectural theme with green open spaces and its own clubhouse, swimming pool, function halls, children's playground, an outdoor circuit gym and parks.

ALABANG WEST

Alabang West delivers the glitz and glamor of Beverly Hills by offering high-end shopping boutiques and world-class amenities. The 62-hectare township is located at the heart of Alabang's leisure, business and commercial district. It has a 1.3-kilometer commercial and retail row inspired by Hollywood's famous Rodeo Drive. The exclusive Alabang West Village features over 700 residential lots and will have a clubhouse with badminton and basketball courts, function rooms, game room, a fitness center and an infinity pool. Alabang West is easily accessible to and from Metro Manila via the South Luzon Expressway and the Daang Hari Exit.

TOWNSHIPS LAUNCHED IN 2015

Megaworld capped 2015 with the launch of five townships.

The Upper East sits on a 34-hectare property in Bacolod City and is modeled after New York City's Upper East Side district. Northill Gateway along the famous Sugar Road on the boundaries of Talisay and Bacolod Cities has direct access to the new Bacolod-Silay Airport and will house upscale residential villages, mixed-use office and retail developments, leisure and recreational amenities, as well as institutional facilities. Sta. Barbara Heights in Iloilo is a 173-hectare mixed-use development set against a backdrop of a natural lake and rolling hills adjacent to the historic Santa Barbara Church and Convent and the Iloilo Golf Course and Country Club. Capital Town Pampanga in San Fernando City, Pampanga is just 70 kilometers away from Metro Manila and 20 kilometers away from Clark International Airport. It will have residential, office, commercial and institutional components aimed at meeting the needs of the large pool of skilled BPO talents in Pampanga. Westside City, the second site of Resorts World Manila in Parañaque, will have international hotels, a luxury mall and residential condominiums.

The Upper East

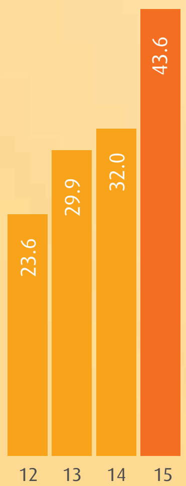
WESTSIDE CITY

CAPITAL TOWN
PAMPANGA

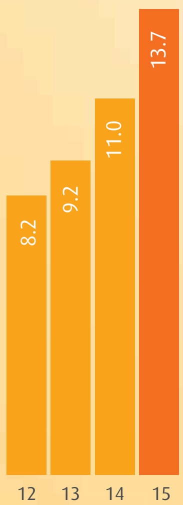
EMPERADOR INC.

In 2015, Emperador Inc. maintains its leadership position in the Philippine liquor industry, while its Emperador Brandy continues to be the largest selling brandy in the world. The year also marked a new era for the company as it continued to transition itself to become a true global player in the international spirits market following the purchase of Bodegas Fundador and other assets in Spain just a year after the acquisition of Whyte and Mackay in UK and the earlier agreement with González Byass S.A. for a 50% participation in Bodegas Las Copas S.L. in Spain. The move provided Emperador with the platform to pursue its international expansion as it gains access to the global market, while undertaking its domestic premiumization strategy for the Emperador brand. Total revenues rose significantly by 36.4% to P43.6 billion in 2015 from P32.0 billion in 2014, helped by the full year contribution from Whyte and Mackay. This brought gross profit higher by 23.8% to P13.7 billion in 2015 from P11.0 billion a year ago. Net profit increased by 12.2% to P7.0 billion from P6.2 billion.

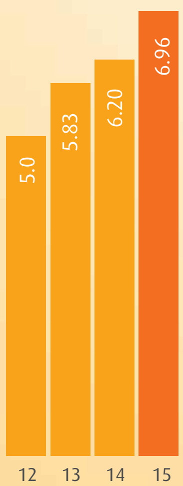
The earlier purchase of Whyte and Mackay allowed Emperador a foothold in the whisky category. Whyte and Mackay, a Scottish company founded in 1843 and based in Glasgow, offers a diverse range of Scotch whiskies that cater to different target consumers. The introduction of its pricey whisky products in the local market further sustained the premiumization of Emperador's product portfolio. In October 2015, 'Andy Player Black Blended Whisky' was launched, with the aim of cultivating a whisky-drinking culture in the local market. The Philippine whisky sector is still small but Emperador believes whisky can bring new business and lead a new category in the country's liquor market.



Revenues
(in Billion Pesos)



Gross Profit
(in Billion Pesos)



Net Profit
(in Billion Pesos)

A NEW ERA BEGINS

EMPERADOR PRODUCTS

Emperador Brandy, A Toast to Success

Emperador Brandy holds its position as the world's largest selling brandy and undisputed market leader in the Philippines because of its distinctive aroma, flavor and consistent mellow quality. It is a world class brandy produced through a delicate blending and aging process, yet easily available and affordable.

Make It Light, Make It Emperador Light

Emperador Light meets the demand among a new breed of brandy drinkers. Light, smooth and full of taste and character, Emperador Light is ideal for every occasion and bonding moments with close friends.

Emperador Gold, A Golden Success

Emperador Gold is the newest brand in the selection. It is an exceptionally fine work of art – an elegant spirit with a unique and complex character, crafted from the best cellars of Spain.

Emperador Deluxe Spanish Edition, Live Luxuriously

From the Bodega San Bruno in Jerez, Spain, Emperador Deluxe is a uniquely fragrant, golden amber brandy with notes of Palomino grapes, toffee, roasted almond and honey. It is expertly blended and aged using the traditional Solera method

Emperador Deluxe Special Reserve, More Luxury in a Glass

Emperador Deluxe Special Reserve traces its roots to vineyards in Toledo, a distillery in La Mancha, and the cellars of San Bruno and Las Copas in Jerez. Aged in choice old sherry casks for many years, this brandy is imbued with history and a true taste of Spain.

Emperador Grand Supreme, Supreme Luxury

A brandy of exceptional heritage, Emperador Grand Supreme is crafted at Bodega San Bruno and aged in choice barrels previously used for Oloroso sherry.

PRODUCTS LAUNCHED IN 2015

Smirnoff Mule, Stubbornly Refreshing

Emperador Inc. partnered with Diageo North America in 2015 to bring Smirnoff Mule to the Philippines – a smooth, full flavored, edgy drink unlike anything available in the country before. Launched in the summer of that year, Smirnoff Mule is a classic signature drink that delivers a refreshing taste with a ginger beer kick at 6% alcohol by volume (ABV). With its unique mix of Smirnoff Vodka, ginger beer, and lime, Smirnoff Mule has revitalized the ready-to-drink category and has captured the interest of the young, fun-loving crowd looking beyond the common fare.

Andy Player, The Whisky

The acquisition of Whyte and Mackay [Group Limited] provided the opportunity for Emperador to bring back the Andy Player brand after its 25-year break, marking its foray in the whisky market. Andy Player Whisky caters to a new consumer class looking for world-class quality whisky. Andy Player blend exudes hints of orange marmalade and maple syrup, truly a whisky that is hip, rich and smooth. It can be enjoyed in different ways to suit different tastes – straight on the rocks or mixed with cola or citrus soda. To reach its young and sophisticated target, its marketing strategy includes the use of digital and social media with the website www.andyplayer.com, its Facebook page Andy Player and Instagram #HaveYouMetAndy.

WHYTE AND MACKAY

Whyte & Mackay

Whyte and Mackay holds one of the world's biggest aged whisky inventory. With five distilleries and one bottling plant in Scotland, it has a production capacity of 50 million liters of alcohol per annum. Whyte & Mackay Blended Scotch Whisky is the second largest whisky brand in Scotland and the third largest selling brand in the United Kingdom.

Part of Emperador's overseas growth strategy is the designation of E&J Gallo Winery to become the exclusive importer for Whyte & Mackay's whisky brand in the United States. E&J Gallo is the world's largest family-owned wine producer and the largest wine company in the United States.

Whyte and Mackay offers a diverse range of Scotch whiskies that cater to different target consumers. The brands are collectively called The Three A's:

- Apex – To the discerning ultrahigh networth individuals, we have The Dalmore, a contemporary British luxury brand and the apex of single malt Scotch whiskies;

- Accessible – To the Scotch drinker who wants to venture into single malt, Jura is the access into the category;

- Always – To the individual who wants to be part of the Scotch culture, Whyte & Mackay Special is the brand for always.

The Dalmore

The Dalmore whisky range is steeped in history and tradition that goes back to 1839.

- **The Dalmore King Alexander III** is the only single malt in the world aged in six different casks resulting in a complex yet smooth single malt. It recently received the gold medal and gold trophy for "The Best Single Malt Scotch Whisky – No Age Stated" at the Cathay Pacific Hong Kong International Wine & Spirit Competition.

- **The Dalmore Principal Collection** includes: The Dalmore 12-year old, cited as "Andrew Mackenzie's masterpiece"; The Dalmore 15-year old, a smooth, rich and well rounded spirit; and, The Dalmore 18-year old, a bolder take on The Dalmore House Style that showcases the robust flavors of extended maturation using only two types of wood barrels.

- **The Dalmore Cigar Malt Reserve** is a one-of-a-kind whisky aged in three kinds of oak barrels to produce the perfect accompaniment to a fine cigar.

- **The Dalmore 25-year old** is a marriage of various complex flavor profiles resulting in a multi-faceted fruity essence with a dark chocolate, gingerbread and maple finish.

Jura

Jura – an island in the Inner Hebrides off the West Coast of Scotland so remote the author George Orwell described it as 'the most un-get-at-able place' in the world – is home to the Jura Distillery, renowned for its use of tall stills to create a uniquely crafted mix of whiskies.

- **The Jura Discovery Pack** is a dream for those wanting to discover single malt whisky. Its range offers the vast landscape of single malt flavors, which transitions from Origin (light and sweet), Journey (lightly smoky), and finally, Destiny (smoky).

- **Jura Origin** has a lingering taste of sweet pear, crushed apples and maple syrup with gentle notes of honey, caramel, soft licorice and roasted coffee beans.

- **Jura Journey** is an enticing whisky with delicate smoky notes and the enriching tastes of roasted chestnuts, ripe banana, gingerbread, pear and grapefruit.

- **Destiny**, crafted from a selection of the finest aged Jura single malt whiskies, has a unique style and character, with tastes of tangy cinnamon, ginger spice, and honey with whispers of salty sea spray, rich coffee and roasted chestnuts.

EMPERADOR INC.

BODEGAS FUNDADOR SPAIN

The highlight of Emperador's continued strategic acquisition and expansion in 2015 was the purchase of Bodegas Fundador, Spain's largest and oldest brandy cellars, and other assets in Spain, worth €275 million. The acquisition strengthened Emperador's position as the world's largest brandy company and made the Philippines one of the largest foreign investors in Spain.

Apart from Fundador Brandy, the acquisition includes: Terry Centenario, Spain's top-selling brandy; TresCepas, Equatorial Guinea's leading brandy; and, Harveys, the world's top sherry wine. Likewise acquired with

Fundador were Spain's largest and oldest brandy cellars established in 1730 with sizeable brandy inventory aged more than 50 years, along with production facilities, vineyards and state-of-the-art blending and bottling facilities in Jerez and Tomelloso.

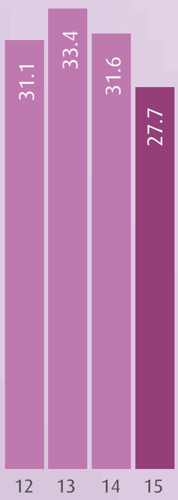
The purchase of the Spanish assets (completed in February 2016) would have an immediate positive impact on both Emperador's revenue and net income. Combined with the earlier purchase of whisky maker Whyte and Mackay, Emperador now has access to more than 100 countries around the world.

TRAVELLERS INTERNATIONAL

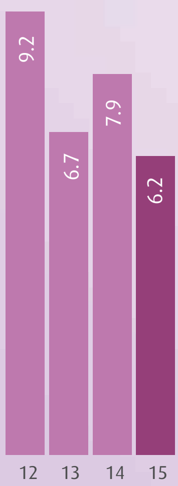
The year 2015 tested the mettle of Travellers International Hotel Group, Inc. as it successfully coped with the challenges and demands of an evolving local integrated resort industry. Resorts World Manila's (RWM) developments and innovations in 2015 remain focused on reinforcing the country's position as one of the preferred destinations in Asia. With its very strong financial condition and total assets increasing by 9.2% to P69.8 billion, much of Travellers' resources have been devoted to continued expansion in RWM.

The Group ended the year positively with a P4-billion net income and EBITDA of P6.2 billion on consolidated gross revenues of P27.7 billion.

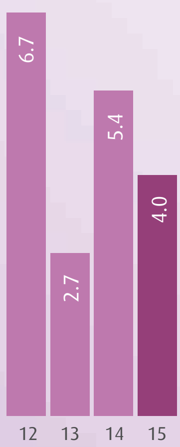
Gaming revenues contributed P24.2 billion. Hotel, Food & Beverage and other revenues increased to P3.5 billion or 9.9% higher compared to the previous year as Travellers continues to expand its non-gaming facilities and offerings. Hotel occupancy remains strong with all three hotels – Maxims Hotel, Remington Hotel, and Marriott Hotel – registering average occupancy rates of above 86% for the entire year.



Gross Revenues
(in Billion Pesos)



EBITDA
(in Billion Pesos)



Net Income
(in Billion Pesos)

CHAMPIONING THE FILIPINO

DEVELOPMENTS

With its Phase 2 expansion, The Marriott Grand Ballroom (MGB) has contributed significantly in growing the country's meetings, incentives, conventions and exhibition industry. MGB is the largest in the country with its 3,000-square meter ballroom, three stories, six VIP boxes, and 28 meeting spaces.

The new Remington Entertainment Center features a new food court, Bingo and gaming area, and additional slot machines on the ground floor. Joining the growing number of merchants are La Maison and Jardin Garden Club, complementing the night life initiated by House Manila the previous year. RWM will soon house the 10-storey Marriott West Wing annex adding 228 more rooms to RWM's target of over 4,000 keys within the property.

Phase 3 expansions will include the construction of two internationally-renowned hotel brands – Hilton Manila Hotel and Sheraton Hotel Manila – plus the Maxims Hotel new wing.

Looking ahead, RWM's Phase 4 developments will give way to more retail alternatives and another international hotel brand. This will accommodate even more guests in the property and further cement RWM's mark as the preferred choice for entertainment, lifestyle and business among tourists, while showcasing Manila as a world-class destination.

PINOY PRIDE

True to its commitment to champion the Filipino, RWM marked six years of operations in 2015 with a host of high profile initiatives that contributed to the Philippine economy by providing thousands of Filipinos with local employment opportunities.

Employment

RWM currently has a workforce of over 5,000. It offers career options in a wide variety of specializations, providing would-be Overseas Filipino Workers (OFW) with an alternative to seeking employment outside the country. RWM launched a training program for its staff entitled GUTS, an acronym for "Genuine Urge To Serve". GUTS instills the RWM core value of inspiring excellence in every member of the team with the goal of providing the highest level of customer service for an experience that will keep them coming back for more.

As a world-class integrated entertainment destination, RWM also took the liberty of showcasing and promoting the country's performing arts through a major all-Filipino stage production with the ultimate goal of making the Philippines the "Broadway of Asia."

Bituing Walang Ninging

This iconic story of superstardom, redemption and humility – previously told in serialized comics, film and television – was given new life by RWM as it presented “Bituing Walang Ningning: The Musical” in June at Newport Performing Arts Theater, with an encore in October replicating the success of the initial run. The musical was helmed by veteran director Freddie Santos and topbilled by newcomer Monica Cuenco as protagonist Dorina Pineda along with pop star turned stage actor Mark Bautista as Nico Escobar, and stage veteran Cris Villonco as Lavinia Arguelles. It featured some of the most memorable songs in Original Pilipino Music (OPM) penned by the legendary Willy Cruz and with Maestro Rodel Colmenar conducting the Manila Philharmonic Orchestra. Also in the cast were award-winning stage performers Michael Stuart Williams and the First Lady of Philippine Musical Theater Menchu Lauchengco-Yulo, together with reality talent search standout Ronnie Liang and popular TV personality John Nite.

GIVING BACK

RWM continued to give back to Filipinos via its many corporate social responsibility initiatives.

- **Original Pilipino Performing Arts (OPPA)**

  Through the inception of a foundation dedicated to further develop the potential of Filipino talents, new opportunities have been made available to aspiring artists in the performing arts. Original Pilipino Performing Arts (OPPA) was formed in 2015 to organize efforts to institutionalize the advancement of Philippine performing arts. The brainchild of Founding Chairman Dr. Andrew Tan, OPPA's vision is built around three major pillars: supporting local artists through grants and scholarships; nurturing the industry through more opportunities for development; and, elevating its standards and capabilities by providing global expertise and resources. It has an initial funding of up to P100 million.

- **Sun And Moon Village**

Guided by one of its core values of true compassion, RWM supported the rebuilding process of local communities in Central and Eastern Visayas devastated by Typhoon Yolanda in November 2013. On October 28, 2015, less than two years after the tragedy, RWM and Habitat for Humanity Philippines formally turned over houses to 209 beneficiary families of Barangay Dolores, Ormoc City, Leyte. The company also donated a school building equipped with two classrooms for the students of Barangay Dolores Elementary School. In addition, the company also envisions a holistic rehabilitation project that involves providing aid for the education and livelihood of the community.

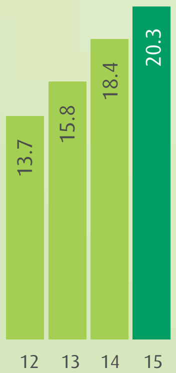
The adopted community was named Sun and Moon Village as a tribute to Alain Boublil and Claude-Michel Schönberg, the producers behind the benefit concert "Do You Hear the People Sing?" that helped raise the funds necessary to make rebuilding possible.

GOLDEN ARCHES DEVELOPMENT CORPORATION

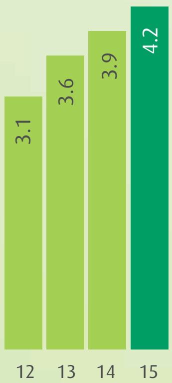
In the face of a more challenging market brought about by tougher competition and customers' changing food preferences, McDonald's of Golden Arches Development Corporation continued to grow the business and stay relevant to its customers. It remained focused on the fundamentals of the business – Quality, Service, Convenience and Value. It leveraged on the following strengths – iconic menu like Cheeseburger, World Famous Fries, and Desserts such as Sundae and McFlurry and local favorites such as Chicken McDo; having modern and comfortable store designs; and engaging moms and kids through Happy Meal and its other family marketing initiatives.

McDonald's also placed a premium on service and convenience. Leveraging on technology, more Filipinos enjoyed their favorite McDonald's meals anytime, anywhere through the new McDo PH Mobile App. This made McDelivery more convenient for customers across the country. Additional McDelivery hubs, new Dessert Centers, and new stores with Drive Thru were also opened. As of December 2015, there were 285 McDelivery Hubs, 350 Dessert Centers, 190 stores with Drive Thru and 320 stores that operate on 24/7 basis. It also expanded its number of stores to 481 by the end of 2015, reaching more customers nationwide.

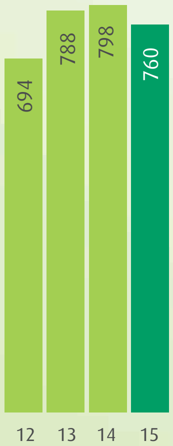
McDonald's definitely continued to make positive waves in 2015 as it aims to be the First Choice of Filipino families.



Revenues
Rendering of Services
(in Billion Pesos)



Gross Profit
(in Billion Pesos)



Net Profit
(in Million Pesos)

FIRST FOR THE FILIPINO FAMILY

FIRST CHOICE WHEN IT COMES TO FOOD AND DINING EXPERIENCE

In 2015, Filipinos continued to enjoy their all-time favorite and new favorite products at McDonald's.

Chicken McDo

The new and improved Chicken McDo – marinated, breaded and fried to a golden perfection – was made juicier and tastier with just the right crunch making a lot of customers say *McMcMc!*

Cheeseburger

Another Filipino favorite is the McDonald's Cheeseburger, made with 100% pure beef and melty American cheese and best enjoyed with the World Famous Fries. McDonald's reignited the love for this product in the last quarter of 2015.

The brand also launched new menu items to continuously excite and delight customers.

McRib

In 2015, a popular menu item in other countries was offered for the first time in the Philippines. For a limited time customers enjoyed McRib made with juicy, rib-shaped pork patty dipped in sweet, tangy and smoky barbecue sauce, topped with pickle slices and slivered onions, sandwiched between two warm caramelized buns.

Chicken McSavers

Filipinos prefer rice males especially during lunch. Not only do customers look for a filling meal but value for money is also a key consideration. Recognizing this, McDonald's offered a variety of great-tasting Chicken McSaver meals made more affordable starting at P79.

Chicken Fillet Ala King

Chicken Fillet Ala King was launched in 2015 as one a new offer under the Chicken McSavers line. Customers enjoyed this crispy and juicy chicken fillet topped with delectable, creamy and buttery sauce with carrot bits and chives at P59, complete with rice and a drink. Definitely the new 'king' of *sulit* meals! This new favorite was endorsed by the phenomenal love team, Alden Richards and Maine Mendoza, known by fans as Aldub. Its campaign was highly anticipated and well-received as it was the pair's first endorsement together. The new product, priced affordably and endorsed by Aldub, contributed to McDonald's positive sales achievement in 2015.

Cheesy Eggdesal

With the launch of Cheesy Eggdesal, Filipinos were in for a familiar, home-style breakfast treat. The Cheesy Eggdesal, the perfect combination of fluffy folded egg and melted cheese between warm pandesal buns. For only P39, the Cheesy Eggdesal is an affordable and convenient breakfast option for individuals who are always rushing.

McFlurry

McDonald's continued to delight its customers with classic favorites such as McFlurry and Sundae. Exciting twists to the McFlurry were introduced throughout 2015. Some of these were Sansrival McFlurry, Banana Crumble McFlurry and Kit Kat Caramel Crispies.

FIRST IN ENGAGING WITH CUSTOMERS

Aside from providing great-tasting food and convenient ways to order meals and warm, friendly service, McDonald's never fails to excite customers with its promos and programs.

National Breakfast Day

McDonald's held its 3rd straight National Breakfast Day in March 2015, sharing the experience of a great breakfast to its customers by giving away McMuffin sandwiches for free at a certain hour. This initiative was made more special by extending National Breakfast Day to Early Risers – those who are unable to enjoy a good breakfast due to their early work schedule. Participating stores had additional 100 McMuffins to give to early risers in their communities, among them call center agents, hospital employees, street sweepers and policemen.

McTollbooth

Filipino motorists passing through the expressways were in for a pleasant surprise with McTollbooth, where tollbooths in the North and South Luzon Expressways were transformed to mimic McDonald's drive-thru booths. The McTollbooths waived toll fees and gave out bags of free McDonald's breakfast to motorists who drove through. To extend the experience, included in the bags were coupons for free McDonald's premium coffee redeemable via drive-thru or in-store. Motorists who missed out still got free breakfast by simply uploading their group pictures inside their vehicles. The McTollbooth is part of McDonald's global initiative 'imlovinit' 24 designed to bring the world together virtually through 24 gifts of joy in 24 hours in 24 different cities.

Kiddie Crew

The 2015 McDonald's Kiddie Crew workshop had more than 60,000 participants from all over the Philippines. As McDonald's flagship family program for 23 years, the program help participants develop their skills and make new friends during the summer. It is a 5-day annual workshop that promotes children's well-being through fun and enriching activities. They get to experience being a crew while learning the values of hard work, responsibility, team work, sharing, discipline and an active lifestyle. The program culminated with series of grand graduation events in eight key cities (Metro Manila, Laguna, Batangas, Bacolod, Cebu, Pampanga, Davao and Cagayan de Oro).

Minions

McDonald's customers went bananas when Kevin, Stuart, and Bob, stars of the Minions Movie, headlined the Minions Banana Festival. The full Minions experience included 10 Minion Happy Meal collectible toys and an array of Minions-themed desserts – Honey Banana McFloat, Banana McFlurry with Oreo, Banana Crumble McFlurry and Minions Banana McDip.

MAKING A DIFFERENCE

As a responsible neighbor, the famed Golden Arches continued to contribute to the communities where it operates.

Ronald McDonald House Charities

McDonald's established Ronald McDonald House Charities in 1996 to make a difference in the lives of Filipinos by carrying out programs to support the needs for shelter, education and happiness of Filipino children. Ronald McDonald Read to Learn is a program with the Department of Education that aims to teach beginning reading. As of 2015, Ronald McDonald Read to Learn has reached a total of 7,500 partner schools in 17 regions, trained over 22,000 educators and helped 11.5 million public school elementary students learn beginning reading program.

Ronald McDonald Bahay Bulilit is a program in partnership with the Department of Social Welfare and Development and local government units. Day care centers are built in areas where they are most needed to provide low-income families a safe environment for learning and playing. With over 28 centers in the Philippines as of 2015, every Bahay Bulilit functions as a typical day care center without the expensive cost.

Special Program for Employment of Students

McDonald's is also in partnership with the Department of Labor and Employment in providing jobs to students and out of school youth through the Special Program for Employment of Students (SPES). Launched in 2011, SPES beneficiaries are employed as McDonald's crew members and undergo the same training that regular McDonald's crew members experience. As of December 2015, about 11,000 students have benefited from this program.

Employee Development

Food and moments aren't just what make McDonald's part of the lives of billions of people all over the world. It is also known for providing career opportunities to its employees. In the Philippines, McDonald's employs more than 40,000 Filipinos from all over the country – with each treated as our most valuable resource. The McDonald's Family consists of the restaurant staff with the solid support of the management team, operations group, site development experts, marketing and human capital group. Its unique global infrastructure opens doors for both local and global opportunities. This and more provide an exceptional working environment that makes everyone feel appreciated and valued.

MAKING STRIDES

It was definitely an exciting year for McDonald's. More stores, better and convenient services, new products, engaging marketing initiatives propelled growth for the brand and business. It has continued its momentum. More importantly, its steadfast commitment to its employees and significant contribution to its communities made more Filipinos love the brand.

BOARD OF DIRECTORS

ANDREW L. TAN
Chairman of the Board

Mr. Tan has served as Chairman of the Board since September 2006 and as Vice-Chairman of the Board from August 2003 to September 2006. He is also the Chairman of Emperador Inc. from August 2013 to present. Mr. Tan is also the Chairman and President of Megaworld Corporation from August 1989 to present. He also holds the position as Chairman of the Board of Global-Estate Resorts, Inc. and Empire East Land Holdings, Inc., both subsidiaries of Megaworld Corporation. Mr. Tan was also elected as Director of Travellers International Hotel Group, Inc. on July 2008. He is concurrently the Chairman of the Board and President of Megaworld Land, Inc., Richmonde Hotel Group International Limited, and Yorkshire Holdings, Inc. He is also chairman of Emperador Distillers, Inc., Alliance Global Brands, Inc., Consolidated Distillers of the Far East, Inc., Eastwood Cyber One Corporation, Megaworld Central Properties, Inc., Megaworld Foundation, Inc., Townsquare Development, Inc., and Adams Properties, Inc. He also serves as Vice-Chairman and Treasurer of Golden Arches Development Corporation and Golden Arches Realty Corporation. He sits in the boards of Andresons Global, Inc. and Twin Lakes Corporation. He pioneered the live-work-play-learn model in the real estate development through the Megaworld Corporation's integrated township communities, fueling the growth of the business process outsourcing ("BPO") industry, food and beverage, and quick service restaurants industries. Mr. Tan graduated Magna Cum Laude from the University of the East with a degree of Bachelor of Science in Business Administration.

SERGIO R. ORTIZ-LUIS, JR.
Independent Director / Vice Chairman

Mr. Ortiz-Luis has served as Independent Director and Vice-Chairman of the Board since September 2007. He is the President of the Philippine Exporters Confederation, Inc. (PHILEXPORT) and Honorary Chairman and Treasurer of the Philippine Chamber of Commerce & Industry. He is also Honorary Chairman of Integrated Concepts & Solutions, Inc. and Vice Chairman of Export Development Council. He is a Director of Waterfront Philippines, Inc., Philippine Estate Corporation, B.A. Securities, Manila Exposition Complex, Inc., Calapan Ventures, Inc. and Jolliville Holdings Corporation. He is also an Independent Director of Forum Pacific, Inc.

KINGSON U. SIAN
Director and President

Mr. Sian has served as Director and President since February 20, 2007. He is currently a member of the board of Megaworld Corporation and is its Executive Director since April 2007. Mr. Sian was first elected as Director of Emperador Inc. on August 2013. He is also the Director and President of Travellers International Hotel Group, Inc. since June 2008 and as Chief Executive Officer since October 2014. He is also the Chairman & President of Asia Finest Hotels & Resorts, Inc., Megaworld Resort Estates, Inc., Prestige Hotels & Resorts, Inc., and Manila Bayshore Property Holdings, Inc. He is Director/ President of Adams Properties, Inc., Eastwood Cyber One Corporation, Eastwood Locator's Assistance Center, Inc., and Forbestown Properties Holdings, Inc. He is also a Director of Asia E-Commerce, Inc., Citywalk Building Administration, Inc., Eastwood Corporate Plaza Building Administration, Inc., Eastwood City Estates Association, Inc., Forbes Town Commercial Center Administration, Inc., ICITE Building Administration, Inc., Paseo Center Building Administration, Inc., Techno Plaza One Building Administration, Inc., and World Café, Inc. He is the Senior Vice President & Chief Executive Officer of Megaworld Land, Inc. Mr. Sian graduated from the University of the Philippines with the degree of Bachelor of Science in Business Economics. He obtained his Masters Degree in Business Administration for Finance and Business Policy from the University of Chicago.

BOARD OF DIRECTORS

KATHERINE L. TAN
Director and Treasurer

Ms. Tan has served as Director and Treasurer since February 2007. She also holds the position as Director and Treasurer of Emperador Inc. since August 2013. She has also served as Director of Megaworld Corporation from August 1989 to present and as Treasurer from August 1989 to June 1995. Ms. Tan is also the Chairman and President of Andresons Global, Inc. and Choice Gourmet Banquet, Inc. She is also Director/President of Consolidated Distillers of the Far East, Inc., Raffles and Company, Inc., and The Andresons Group, Inc. She is the Director/Treasurer of Alliance Global Brands, Inc., Emperador Brandy, Inc., Emperador Distillers, Inc., and Yorkshire Holdings, Inc. She is also Director of Emperador International Limited, Kenrich Corporation, McKester Pik-Nik International Limited, Megaworld Cayman Islands, Inc., Venezia Universal Limited, and The Bar Beverage, Inc. She is the Treasurer of Newtown Land Partners, Inc. Ms. Tan graduated from St. Scholastica's College with a degree in Nutrition.

WINSTON S. CO
Director

Mr. Co has served as Director of Alliance Global Group, Inc. since 1998 where he previously was Vice Chairman of the Board from November 1999 to August 2003 and Chairman from June 1998 to October 1999. He also holds the position of President and Chief Executive Officer of Emperador Inc. since August 2013. He is the Chairman and President of New Town Land Partners, Inc., Chairman of Anglo Watsons Glass, Inc. and Director/President of Emperador Distillers, Inc. He sits in the boards of Alliance Global Brands, Inc., Forbes Town Properties & Holdings, Inc., McKester Pik-Nik International Limited, Raffles & Company, Incorporated, and The Bar Beverage, Inc. He is also Senior Vice President of The Andresons Group, Inc. Mr. Co is a Magna Cum Laude graduate of Jose Rizal College with a Bachelor of Science in Commerce.

KEVIN ANDREW L. TAN
Director

Mr. Tan has served as Director since April 20, 2012. He also holds the position as Director of Global-Estate Resorts, Inc. since June 2014. He also serves as Director of Empire East Land Holdings, Inc., a subsidiary of Megaworld Corporation. He is concurrently a Director of Emperador Distillers, Inc., Alliance Global Brands, Inc., Anglo Watsons Glass, Inc., Yorkshire Holdings, Inc., The Bar Beverage, Inc., Emperador Brandy, Inc., and New Town Land Partners, Inc. He has over 11 years of experience in retail leasing, marketing and operations. He currently heads the Commercial Division of Megaworld Corporation, which markets and operates the Megaworld Lifestyle Malls, including Eastwood Mall and The Clubhouse at Corinthian Hills in Quezon City, Venice Piazza at McKinley Hill and Burgos Circle at Forbestown Center, both in Fort Bonifacio, California Garden Square in Mandaluyong City, Newport Mall at Resorts World Manila in Pasay City, and Lucky Chinatown Mall in Binondo, Manila. Mr. Tan holds a Bachelor of Science Business Administration degree, major in Management, from the University of Asia and the Pacific.

ALEJO L. VILLANUEVA, JR.
Independent Director

Mr. Villanueva has served as Independent Director since August 2001. He also held the position of Independent Director of Emperador Inc. from August 2013 to May 2015, of Empire East Land Holdings, Inc. from June 2007 to present, and of Suntrust Home Developers, Inc. from October 2012 to present. He is the Chairman of Ruru Courier Systems, Inc. and Vice Chairman of Public Relations Counsellors Foundation of the Philippines, Inc. He is Director of First Capital Condominium Corporation, a non-stock non-profit corporation. He is a professional consultant who has more than twenty years of experience in the fields of training and development, public relations, community relations, institutional communication, and policy advocacy, among others. He has done consulting work with the Office of the Vice President, the Office of the Senate President, the Commission on Appointments, the Securities and Exchange Commission, the Home Development Mutual Fund, the Home Insurance Guaranty Corporation, Department of Agriculture, Philippine National Railways, International Rice Research Institute, Rustan's Supermarkets, Louis Berger International (USAID-funded projects on Mindanao growth), World Bank (Subic Conversion Program), Ernst & Young (an agricultural productivity project), Chemonics (an agribusiness project ofUSAID), Price Waterhouse (BOT program, a USAID project), Andersen Consulting (Mindanao 2000, a USAID project), Renardet S.A. (a project on the Privatization of MWSS, with World Bank funding support), Western Mining Corporation, Phelps Dodge Exploration, and Marubeni Corporation. Mr. Villanueva obtained his bachelor's degree in Philosophy from San Beda College, summa cum laude. He has a master's degree in Philosophy from the University of Hawaii under an East-West Center Fellowship. He also took up special studies in the Humanities at Harvard University. He studied Organizational Behavior at INSEAD in Fontainebleau, France. He taught at the Ateneo Graduate School of Business, the UST Graduate School, and the Asian Institute of Journalism.

CORPORATE GOVERNANCE

In 2002, the Company adopted a Manual on Corporate Governance in order to institutionalize the rules and principles of good corporate governance in the entire organization in accordance with the Code of Corporate Governance promulgated by SEC. A Revised Manual was adopted by the Company on July 30, 2014 pursuant to SEC Memorandum Circular No. 6, Series of 2009, as further amended by SEC Memorandum Circular No. 9, Series of 2014.

Audit Committee

The Company's Audit Committee is responsible for ensuring that all financial reports comply with internal financial management and accounting standards, performing oversight financial management functions, pre-approving all audit plans, scope and frequency and performing direct interface functions with internal and external auditors. This Committee has three members, two of whom are independent directors. An independent director serves as the head of the committee.

Compensation and Remuneration Committee

The Company's Compensation and Remuneration Committee is responsible for establishing a formal and transparent procedure for developing a policy on executive remuneration and for fixing the remuneration packages of corporate officers and directors, as well as providing oversight over remuneration of senior management and other key personnel ensuring that compensation is consistent with the Company's culture, strategy and control environment. This Committee consists of three members, including at least one independent director.

Nomination Committee

The Company's Nomination Committee pre-screens and shortlists all candidates nominated to become a member of the Board of Directors in accordance with qualifications prescribed by law and the Company's Manual of Corporate Governance. This Committee has three voting members, including at least one independent director.

Compliance

In 2015, the directors of the Company were required to take a Corporate Governance Orientation course and are encouraged to undergo further training in corporate governance.

The Company likewise complies with its Manual on Corporate Governance requirement that it rotate its external auditor or change the handling partner every five (5) years or earlier.

Evaluation System

The Company has designated a Compliance Officer who is tasked with monitoring compliance with the provisions of its Manual of Corporate Governance. The Compliance Officer, who is directly reporting to the Chairman of the Board, has established an evaluation system to measure or determine the level of compliance by the Company with its Manual. A Self-Rating System on Corporate Governance was implemented and submitted to SEC and PSE in July 2003.

Deviations from Manual and Sanctions Imposed

In 2015, the Company substantially complied with its Manual of Corporate Governance and did not materially deviate from its provisions. No sanctions have been imposed on any director, officer or employee on account of non-compliance.

Plan to Improve Corporate Governance

Pursuant to SEC Memorandum Circular No. 6, Series of 2009 and as amended by SEC Memorandum Circular No. 9, Series of 2014, the Company has revised its Manual of Corporate Governance to make its provision complaint with the Revised Code of Corporate Governance.

Among the measures undertaken by the Company in order to fully comply with the provisions of the leading practices on good corporate governance adopted in its Manual on Corporate Governance are monitoring and evaluation of the internal control system for corporate governance. The Company likewise maintains an active website where its Annual Reports, Quarterly Reports, Financial Statements and other disclosures are uploaded for easy access and reference by the investing public. The Company is committed to good corporate governance and continues to improve and enhance the evaluation system for purposes of determining the level of compliance by the Company with its Manual on Corporate Governance.

MANAGEMENT DISCUSSION AND ANALYSIS

a. **Key Performance Indicators**

Presented below are the top five (5) key performance indicators of the Company and subsidiaries:

In Million Pesos				*Growth*	
	2015	2014	2013	2015	2014
REVENUES	**139,097**	**125,405**	**123,379**	**10.92%**	**1.64%**
Non-recurring Gain	188	525	3,669		
Excl. Non-recurring Gain	**138,909**	**124,880**	**119,710**	**11.23%**	**4.32%**
NET PROFIT	**21,686**	**21,110**	**23,055**	**2.73%**	**-8.44%**
Non-recurring Gain	68	215	3,653		
Excl. Non-recurring Gain	**21,618**	**20,895**	**19,402**	**3.46%**	**7.70%**
NET PROFIT TO OWNERS OF AGI	**13,965**	**13,246**	**17,218**	**5.43%**	**-23.07%**
Non-recurring Gain	29	215	3,653		
Excl. Non-recurring Gain	**13,936**	**13,031**	**13,565**	**6.94%**	**-3.94%**
Net profit rate	15.59%	16.83%	18.69%		
Recurring NP rate	15.56%	16.73%	16.21%		
NP attributable to parent	10.04%	10.56%	13.96%		
Recurring NP attributable to parent	10.03%	10.43%	11.33%		
Return on investment/assets [NP/TA]	4.83%	5.15%	6.94%		
	31-Dec-15	31-Dec-14	31-Dec-13		
TOTAL ASSETS	448,725	409,619	332,400	9.55%	23%
CURRENT ASSETS	225,720	220,869	197,690	2.20%	11.72%
CURRENT LIABILITIES	89,733	92,541	50,585	-3.03%	82.94%
Current ratio	2.52x	2.39x	3.91x		
Quick ratio	1.40x	1.40x	2.62x		

Non-recurring gains in 2013 refer to the P764 million gain from acquisition of a realty corporation by MEG and the P2,905 million income realized by AGI from the offering of EMP shares, or P2,889 million net of P16 million stock transaction tax. In 2014, these refer to P520.2 million gain from acquisition and deconsolidation of subsidiaries of MEG and P4.6 million from acquisitions of GADC, with P310.0 million one-time expenses on acquisition by EMP. In 2015, there is P181million gain on sale of investment in an associate of Megaworld, P3.7 million gain on acquisition of GADC subsidiary, P3.5 million gain on interest and P120 million one-time expenses on acquisition by EMP.

- Revenue growth – measures the percentage change in revenues over a designated period of time. Performance is measured both in terms of amount and volume, where applicable.
- Net profit growth – measures the percentage change in net profit over a designated period of time.
- Net profit rate – computed as percentage of net profit to revenues - measures the operating efficiency and success of maintaining satisfactory control of costs.
- Return on asset investment [or capital employed] – the ratio of net profit to total assets - measures the degree of efficiency in the use of resources to generate net income.
- Current ratio – computed as current assets divided by current liabilities – measures the ability of the business to meet its current obligations. To measure immediate liquidity, quick assets [cash, marketable securities, accounts receivables] is divided by current liabilities.

b. **Discussion And Analysis Of Operation**

The following discussion and analysis must be read in conjunction with the submitted audited consolidated financial statements and the related notes thereto.

b.1. ***Results Of Operations – By Subsidiary Groups***

	MEG	EMP	RWM	GADC	GERI	Others	TOTAL
2015							
Revenues	44,992	43,660	27,803	20,421		6,476	**143,352**
Intercompany/ Adjustment	-94	0	33	0		-4,193	
Consolidated	**44,898**	**43,660**	**27,836**	**20,421**		**2,283**	**139,098**
% contribution	32%	31%	20%	15%		2%	100%
Costs and expenses	31,133	35,210	23,736	19,295		2,936	**112,310**
Intercompany/ Adjustment	-22	0	0	0		-117	
Consolidated	**31,111**	**35,210**	**23,736**	**19,295**		**2,819**	**112,171**
Net profit	10,575	6,960	4,018	760		3,489	**25,802**
Intercompany/ Adjustment	-72	0	33	0		-4,077	
Consolidated	**10,503**	**6,960**	**4,051**	**760**		**-588**	**21,686**
% contribution	48%	32%	19%	4%		-3.0%	100%
Net profit to owners	**10,215**	**6,960**	**4,021**	**751**		**3,489**	**25,436**
Intercompany/ Adjustment	**-3,417**	**-1,288**	**-2,206**	**-383**		**-4,177**	
Consolidated	**6,798**	**5,672**	**1,815**	**368**		**-688**	**13,965**
% contribution	49%	40%	13%	3%		-5%	100%
2014							
Revenues	53,029	31,951	31,713	18,748		11,154	**146,595**
Intercompany/ Adjustment	-12,213	0	-41	0		8,936	
Consolidated	**40,816**	**31,951**	**31,672**	**18,748**		**2,218**	**125,405**
% contribution	33%	25%	25%	15%		2%	100%
Costs and expenses	28,354	23,842	26,193	17,640		2,870	**98,899**
Intercompany/ Adjustment	-9	-18	-81	0		-22	
Consolidated	**28,345**	**23,824**	**26,112**	**17,640**		**2,848**	**98,769**
Net profit	21,555	6,204	5,445	798		8,168	**42,170**
Intercompany/ Adjustment	-12,204	18	40	0		8,914	
Consolidated	**9,351**	**6,222**	**5,485**	**798**		**-746**	**21,110**
% contribution	44%	29%	26%	4%		-3%	100%
Net profit to owners	**21,220**	**6,204**	**5,445**	**794**		**8,168**	**41,831**
Intercompany/ Adjustment	-15,279	-1,132	-2,849	-405		-8,920	
Consolidated	**5,941**	**5,072**	**2,596**	**389**		**-752**	**13,246**
% contribution	45%	38%	20%	3%		-6%	**100%**

	MEG	EMP	RWM	GADC	GERI	Others	TOTAL
2013							
Revenues	35,355	29,865	32,913	15,977	1,759	15,972	**131,841**
Intercompany/ Adjustment	-237	0	0	0	0	-8,225	
Consolidated	**35,118**	**29,865**	**32,913**	**15,977**	**1,759**	**7,747**	**123,379**
% contribution	29%	24%	27%	13%	1%	6%	100%
Costs and expenses	23,748	21,960	30,107	14,744	1,305	2,800	**94,664**
Intercompany/ Adjustment	412	-17	-33	0	-14	-45	
Consolidated	**24,160**	**21,943**	**30,074**	**14,744**	**1,291**	**2,755**	**94,967**
Net profit	9,035	5,831	2,740	788	341	13,083	**31,818**
Intercompany/ Adjustment	-649	18	33	0	14	-8,179	
Consolidated	**8,386**	**5,849**	**2,773**	**788**	**355**	**4,904**	**23,055**
% contribution	37%	25%	12%	4%	1%	21%	100%
Net profit to owners	**8,971**	**5,831**	**2,740**	**789**	**321**	**13,083**	**31,414**
Intercompany/ Adjustment	-3,717	-558	-1,561	-402	-97	-8,182	
Consolidated	**5,254**	**5,273**	**1,179**	**387**	**224**	**4,901**	**17,218**
% contribution	31%	31%	7%	2%	1%	28%	100%

Year-on-year Change	MEG	EMP	RWM	GADC	GERI	Others	TOTAL
2015							
Revenues	10.00%	36.65%	-12.11%	8.92%		2.93%	10.92%
Costs and expenses	9.76%	47.79%	-9.10%	9.38%		-1.02%	13.57%
Net profit	12.32%	11.86%	-26.14%	-4.76%		-21.18%	2.73%
Net profit to owners	14.43%	11.83%	-30.08%	-5.40%		-8.51%	5.43%
2014							
Revenues	16.23%	6.98%	-3.77%	17.34%		-71.37%	1.64%
Costs and expenses	17.32%	8.57%	-13.17%	19.64%		3.38%	4.00%
Net profit	11.51%	6.38%	97.80%	1.27%		-115.21%	-8.44%
Net profit to owners	13.08%	-3.81%	120.19%	0.52%		-115.34%	-23.07%

Amounts are in million Pesos. Numbers may not add up due to rounding off. The above follows grouping of accounts at AGI consolidated level, so revenues may not tally the totals separately reported by subsidiaries as there may be items reclassified from/to revenues to/from costs at AGI consolidated level.
GERI was deconsolidated in 2014 at AGI level as it now belongs and consolidated in MEG group.

MANAGEMENT DISCUSSION AND ANALYSIS

These strong performances are reflected in the profit and loss accounts, as follows:

	2015	2014	2013	2015 vs 2014	2014 vs 2013
REVENUES					
Sale of goods	77,192	62,036	56,519	24.43%	9.76%
Consumer goods	44,465	32,529	29,588	36.69%	9.94%
Revenues from real estate (RE) sales	32,727	29,507	26,931	10.91%	9.57%
RE sales	27,262	24,607	22,159	10.79%	11.05%
Realized gross profit on RE sales	3,787	3,229	3,235	17.28%	-0.19%
Interest income on RE sales	1,678	1,671	1,537	0.42%	8.72%
Rendering of services	58,481	58,559	56,687	-0.13%	3.30%
Gaming	24,217	28,377	30,004	-14.66%	-5.42%
Sales by company-operated quick-service restaurant	18,475	16,921	14,554	9.18%	16.26%
Franchise revenues	1,864	1,495	1,256	24.68%	19.03%
Rental income	9,185	7,463	6,396	23.07%	16.68%
Other services	4,740	4,303	4,477	10.16%	-3.89%
Hotel operations	3,265	2,987	3,284	9.31%	-9.04%
Other services	1,475	1,316	1,193	12.08%	10.31%
Share in net profits of associates and joint ventures	268	123	0	117.89%	
Finance and other income	3,156	4,687	10,173	-32.66%	-53.93%
TOTAL	139,098	125,405	123,379	10.92%	1.64%
COSTS AND EXPENSES					
Cost of goods sold	50,443	40,131	37,597	25.70%	6.74%
Consumer goods sold	30,493	21,229	20,136	43.64%	5.43%
RE sales	15,435	14,364	13,015	7.46%	10.36%
Deferred gross profit on RE sales	4,515	4,538	4,446	-0.51%	2.07%
Cost of services	30,163	28,095	27,337	7.36%	2.77%
Gaming-license fees, promo allowances	11,362	11,543	12,545	-1.57%	-7.99%
Services	18,801	16,552	14,792	13.59%	11.90%
Other operating expenses	25,712	26,087	25,011	-1.44%	4.30%
Selling and marketing	11,075	12,644	13,163	-12.41%	-3.94%
General and administrative	14,637	13,443	11,848	8.88%	13.46%
Finance costs and other charges	5,852	4,456	5,022	31.33%	-11.27%
TOTAL	112,171	98,769	94,967	13.57%	4.00%

Amounts in million pesos; numbers may not add up due to rounding off. n/m-not meaningful.

For the Year Ended December 31, 2015 vs. 2014

The Group's financial performance continues to be compelling in spite of the challenges faced by the gaming business. The Group ended the year with revenues growing 11.2% to P139 billion (net of P189 million non-recurring gain) from P125 billion (net of 525 billion non-recurring gain) a year ago, which resulted in net profit of P22 billion, up 3.5% from P21 billion a year ago, which further gave net profit to owners of P14 billion, up 6.9% from P13 billion a year ago. All businesses showed positive profitable results and contributions.

Megaworld's core net profit reached P10 billion (net of P181 million non-recurring gain), a 10.5% increase from its P9 billion (net of P12.2 billion non-recurring gain at its level) reported a year ago. Its strong roster of townships across Luzon, Visayas and Mindanao provided the impetus for the 9% growth in revenues excluding non-recurring gains. Revenues from leasing, residential sales and hotel operations climbed 23%, 11% and 10%, respectively, during the year. The Group launched five townships during the year, namely, The Upper East (34ha) and Northhill (53ha) in Bacolod City, Sta. Barbara Heights (173ha) in Iloilo, a prime property (35.6ha) in Pampanga and Westside City (31ha) in Parañaque City, or a total of about 330ha of land. Suntrust launched 2 residential projects: Fountain Grove (horizontal) in Bacolod and One Lake Shore Drive Towers 3 and 4 (vertical) in Davao while GERI launched Holland Park (4towers) in Southwoods City and commercial lots in Sta. Barbara Shophouse District. During the year, Megaworld completed 16 residential and 6 BPO office towers with retail components while GERI completed 2 for the 4 condominium clusters of Oceanway Residences in Boracay Newcoast, Phase 2 of Sta. Barbara Heights and the commercial building in Twin Lakes called Twin Lakes Shopping Village. ELI realized sales across all its high-rise and horizontal projects, with the bulk coming from San Lorenzo Place and SouthPoint Science Park. The group contributed 32% and 48% to AGI's consolidated revenues and net profit, respectively, in 2015.

Emperador hit P7 billion net profit and P44 billion revenues, up 12% and 37% year-on-year. These are inclusive of offshore operations, with full-year results of Scotch whisky business tucked in. The Scotch whisky business reported P16 billion revenues and P1 billion net profit for full year 2015 which represent 38% and 16% of respective consolidated totals. The share in net profit of Bodega Las Copas that was added to consolidated revenues and net profit amounted to P130 million in 2015 versus P40 million in 2014. Emperador now has a much bigger product portfolio of brandy and whisky that has greater global presence and which positions it to premiumization opportunities in the Philippine market. Emperador introduced the 'The Dalmore' line locally and relaunched 'Andy Player' during the year. The group contributed 31% and 32% to AGI's consolidated revenues and net profit, respectively in 2015.

Travellers focused on building a base in 2015, particularly in the Mass and Premium Mass segments and controlled its operating costs so it remained profitable even as revenues and net profit declined year-on-year. In 2015, revenues totaled P28 billion which turned in P4 billion net profit. While drops volumes contracted during the year, the win rates improved from last year. Travellers continues to expand its non-gaming facilities and offerings. Hotel occupancy remains strong with all 3 hotels registering average occupancy of above 86% for the entire year. With the Marriott Grand Ballroom now fully operational, the MICE market is a key differentiator. The group turned in 20% and 19% of AGI's consolidated revenues and net profit, respectively.

GADC's total revenues grew by 9% primarily due to the opening of 28 new restaurants (QSRs), reimaging of 28 (35 in 2014) existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (Chicken Fillet Ala King, Cheesy Eggdesal), Limited Time Offer Products (McGriddles, Shake Shake Fries, Twister Fries, Bacon Burgers, Dessert Campaigns, McRib, Chicken Muffin and Sweet Ham Special), and aggressive advertising/promotional campaigns to support Extra Value Meals (Chicken McDo Price Reduction, Coke Glass), Everyday McSavers (Float, Sundae and Fries), McSaver Meals, Desserts and Breakfast. Average sales per restaurant increased by 4%, with 3% growth in sales per company-owned restaurant and 6% for sales per franchised restaurant. Business extensions provided a growth rate of 15%, with Drive-thru boosted total revenues by 11%. Value pricing strategy is adopted in order to drive more guest count and price adjustments are strategically implemented to mitigate the increase in cost of raw materials and to maintain the level of product quality. This is however outpaced by the increases in prices of imported raw materials and product mix shift and costs of utilities and crew labor. As a result, net profit contracted slightly 5% year-on-year. GADC's results accounted for 15% and 4% of AGI's consolidated revenues and net profit, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues with or without the one-time items, thus, as a result of the foregoing, grew by 10.9% year-on-year. Sale of goods soared by 24.4% from 36.7% expansion in sale of consumer goods (distilled spirits, beverages and snacks) and 11% growth in real estate revenues. Rendering of services (gaming, hotels, restaurants, rentals), on the other hand, is at same level as last year with revenues from company-operated QSRs, franchised QSRs, rentals of office and retail spaces and hotel operations growing by 9.2%, 24.7%, 23.1% and 9.3%, respectively, which offset the 14.7% drop in gaming revenues at RWM.

Costs and expenses went up by 13.6% year-on-year. Costs of goods sold and services rendered expanded by 25.7% and 7.4%, respectively, as a result of revenue growth. Other operating expenses contracted by 1.4% due to lower advertising and promotions inspite of increases in salaries and employee benefits, utilities, rentals and commissions. These five accounts comprised 59.7% and 59.4% of other operating expenses in 2015 and 2014, respectively. The decrease in advertising and promotions is primarily attributed to the contraction in RWM's general marketing expenditures.

Share in net profits of associates and joint ventures more than doubled at 118.9% year-on-year due to take-up of share in net profit of associates and joint venture of MEG, EMP and GADC.

Finance and other income shrank 32.7% from a year ago because of one-time gains from acquisitions and divestments (P188 million in 2015 and P525 million in 2014) and reversal of liabilities (P6 million in 2015 and P121 million in 2014) in 2014 and lower interest income in 2015.

Finance costs and other charges increased by 31.3% due to foreign currency losses of Travellers and Megaworld from translation of their foreign-currency denominated bonds.

Tax expense totaled P5.2 billion, down 5.2% from P5.5 billion a year ago, primarily due to reductions in taxes of Travellers and Emperador inspite of increase in Megaworld and GADC.

Net profit attributable to owners grew by *5.4%, or 6.9%* before non-recurring gains.

For the Year Ended December 31, 2014 vs. 2013

The year 2014 was a year of expansion and realignments for the Group, activities which have started in 2013. From these transactions, the Group realized P525 million and P3,669 million gains in revenues in 2014 and 2013, respectively, which correspondingly beefed up net profit by P215 million and P3,653 million in the said years. Without these non-recurring items, net profit climbed 7.7% to P20.9 billion from P19.4 billion a year ago as all subsidiary groups registered commanding results from their core businesses.

Megaworld's performance is driven by both real estate sales and rental income, as the group realized 11.0% and 17.1% respective growth in these accounts from a year ago. During the year, Megaworld brought into its fold new subsidiaries, which included GERI (it acquired from AGI), mostly because of the properties these companies own, and deconsolidated one which became an associate. The Group launched five townships during the year, namely, Woodside City in Pasig City (12.3ha), Alabang West in Las Piñas City (62ha), Suntrust Ecotown in Cavite (350ha), Southwoods City in the boundaries of Cavite and Laguna (561ha) and Davao Park District in Davao City (11ha), or a total of about 1,000ha of land. The Group has completed 16 residential projects and 5 BPO office towers with retail components during the year. Gross leasable area at end-2014 totaled 621,000sqm and 240,000sqm for office and commercial spaces, respectively. The group ended the year with P9.4 billion net profit before one-time gains, up 13.6% from a year ago. The group turned in 32% and 44% of AGI's consolidated revenues and net profit, respectively.

Emperador's offshore expansion augmented its already formidable homegrown base. With the inclusion of two-month results from Whyte and Mackay and the share in net profit of Bodegas Las Copas, the group's revenues and net profit climbed 7.0% and 6.4%, respectively, with product sales growing by 10.0%. Brandy sales maintained its record-breaking volume from a year ago; its costs during the year improved by about 10.0% due to cost efficiencies attributed substantially to the good retrieval of recycled bottles. Meanwhile, about P310 million were expensed during the year in connection with the acquisition of Whyte and Mackay. Excluding these one-time expenses, net profit increased by 11.7%. Even with such expenditures tucked in, the group contributed 26% and 30% of AGI's consolidated revenues and net profit, respectively.

Travellers doubled its net profit to P5.5 billion on revenues of P31.7 billion and P26.2 billion costs and expenses. There were 296 gaming tables, 1,868 slot machines and 210 ETG machines deployed on the average. Travellers focused on growing core customer base, which resulted in 5.1% rise in drops volume for the mass segment and 7.4% contraction for the VIP segment. There was also deliberate move in holding less tournaments during the year. All hotels registered higher occupancy rates of 83%-91% as compared to 65%-81% a year ago but complimentary and promo rooms accounted for more than 50% of occupancy during the year as compared to less than 50% a year ago. While revenues declined, belt-tightening on costs and expenses gave good results. The group accounted for 25% and 26% of AGI's consolidated revenues and net profit, respectively.

GADC's total revenues grew by 17.3% primarily due to the opening of 53 (37 in 2013) new restaurants (QSRs), reimaging of 35 (36 in 2013) existing restaurants, expansion of business extensions (delivery service, drive-thru, dessert centers, midnight hours and breakfast daypart), the introduction of new products (BFF Mix Bundles, New Chicken McDo Plus Meals, Bacon Burgers), Limited Time Offer products (Shake Shake Fries, Twister Fries, Dessert Campaigns), product relaunch (Cheeseburger Deluxe and McSpicy Burgers) and aggressive advertising/promotional campaigns to support Everyday McSavers (Float, Sundae and Fries), McSaver Meals, Desserts and Breakfast. Average sales per restaurant increased by 3%, with 2% growth in sales per company-owned restaurant and 5% for sales per franchised restaurant. Business extensions provided the biggest growth rate of 19%, with Drive-thru boosting total revenues by 11%. Value pricing strategy is adopted in order to drive more guest count and price adjustments are strategically implemented to mitigate the increase in cost of raw materials and to maintain the level of product quality. This is however outpaced by the increases in prices of imported raw materials and product mix shift and costs of utilities and crew labor. As a result, net profit increased by 1.2% year-on-year. GADC's results accounted for 15% and 4% of AGI's consolidated revenues and net profit, respectively.

Revenues before the one-time gains***,*** thus, as a result of the foregoing, grew by 4.3% year-on-year. With the one-time gains included, revenues went up by 1.6% from a year ago. Sale of goods increased by 9.8%, which is attributed to 9.9% and 11.0% growth in sale of consumer goods (distilled spirits, beverages and snacks) and real estate. Rendering of services (gaming, hotels, restaurants, rentals) expanded by 3.3%, which is attributed to 16.3%, 19.1% and 16.7% growths in revenues from company-operated QSRs, franchised QSRs and rentals of office and retail spaces which compensated for the 5.4% dip in gaming and other service revenues at RWM.

Costs and expenses went up by 4.0% year-on-year. Costs of goods sold and services rendered expanded by 6.7% and 2.8%, respectively, as a result of revenue growth. Other operating expenses increased by 4.3% due to increases in salaries and employee benefits, taxes and licenses, royalties, professional fees and outside services which were countered by a sharp decline in advertising and promotions. These five accounts comprised 60.3% and 61.4% of other operating expenses in 2014 and 2013, respectively. The increase in professional fees and outside services is attributed to the one-time expenses incurred in the acquisition of Whyte and Mackay while the decrease in advertising and promotions is attributed to the contraction in RWM's general marketing expenditures.

Share in net profits of associates and joint ventures rebounded year-on-year due to take-up of share in net profit of associates and joint venture of MEG, EMP and GADC.

Finance and other income included one-time gains of P525 million in 2014 and P3.7 billion in 2013, from acquisitions and divestments. In 2014, these consisted of P520 million that Megaworld gained from several acquisitions and one divestment plus the P4.6 million that GADC gained from two such acquisitions. In 2013, Megaworld gained P764 million on acquisition of a subsidiary while AGI realized P2.9 billion on divestment of its interest on EMP through a share offering. Interest income slipped due to lower interest rates and reduced cash positions. Also, foreign currency gains reported a year ago were not replicated this year. All these combined caused finance and other income to dip by 53.9% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs and other charges decreased by 11.0% due to reversal in unrealized fair values of mark-to-market financial assets this year, which was reported at a loss in 2013.

Tax expense totaled P5.5 billion from P5.4 billion, up 3.2% from a year ago as a result of higher taxable income tax for Megaworld which is offset by lower income taxes of EMP and GADC.

Net profit attributable to owners tumbled 23.1%, or 3.9% before non-recurring gains, because of the dilution in EMP by about 7% due to the entry of Arran, a new minority investor.

Financial Condition
December 31, 2015 vs 2014

Total assets amounted to P448.7 billion at end of 2015 from P409.6 billion at beginning of year, up 9.6% primarily due robust business across all business segments. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.5 times. Current assets amounted to P225.7 billion while current liabilities amounted to P89.7 billion at end of the current year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are presented. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents shrank by P13.5 billion or 16.4% to end at P68.6 billion from P82.1 billion at the beginning of the year, primarily due to the capital expenditures, business expansion activities and debt repayments during the current year. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss soared 85.5% or P3.7 billion due to additional investments during the year, which include adjustments for gains in fair values and currency translations at year-end.

Current trade and other receivables rose up P6.3 billion or 14.7% primarily due to Megaworld group's robust sales, UK sales, and additional advances paid by Megaworld and Travellers to their suppliers and contractors in connection with the ongoing expansion works. **Noncurrent trade and other receivables** went up by P3.9 billion or 13.5% due to higher real estate sales.

Inventories increased by P4.9 billion or 6.7% due primarily to additional real estate lots, condominium units and resort shares completed and put up for sale, increase in Scotch whisky work-in-process, and other materials.

Property development costs went up by P2.5 billion or 19.9%, reflecting the costs incurred in ongoing real estate projects.

Available-for-sale financial assets dipped by P3.8 billion or 63.4% from asset disposals to get fresh funds for financing purposes and marked-to-market changes in values. Marketable securities at Megaworld level depreciated in market values. The loss to adjust carrying values to market prices is shown under Equity portion of the statement of financial position.

Land for future development increased by 37.1% or P4.9 billion primarily from acquisitions and contribution of a new MEG subsidiary.

Investments in and advances to associates and other related parties expanded by P2.5 billion or 30.8% due to ELI's acquisition of an associate, Travellers' joint venture in a newly-incorporated entity, and an increase in advances to other related parties.

Property, plant and equipment increased by P12.0 billion or 22.2% with the ongoing constructions at Phase 2 (expansion of Marriott Hotel and Marriott West Wing) and Phase 3 (extension of Maxims Hotel, new Hilton Manila Hotel and new Sheraton Manila Hotel) at RWM, a new local distillery plant for Emperador, hotels brands under Megaworld, and McDonald's stores; plus the ongoing upgrade of IT system in Scotland. Marriott Grand Ballroom which is part of Phase 2 formally opened in July 2015. Marriott West Wing is scheduled for turnover by end of second quarter of 2016. Phase 3, which shall also include a new gaming area, additional retail space and six-level basement parking decks, is scheduled to be turned over by end of 2017.

Investment property expanded by P10.4 billion or 27.6% from completion of properties for lease of Megaworld group. In 2015, Megaworld completed 6 BPO office towers with retail components in Uptown Bonifacio, Mactan Newtown, McKinley West and Iloilo Business Park and GERI completed Twin Lakes Shopping Village.

Other current assets escalated 16.6% or P938 million due to increase in input vat and advances to suppliers of Megaworld group. **Other non-current assets** soared by 90.1% or P4.7 billion due to the P1.5 billion additional advances for future investment made by Travellers and the P2.8 billion deposit made by Emperador for the acquisition of the brandy and sherry business from Beam Suntory. Refundable deposits and accumulated jackpot seed money also increased from a year ago.

Trade and other payables went up by 3.37% or P1.3 billion as trade payables, accrued expenses, retentions, gaming license fees, and liabilities for land acquisition increase. This is due to the aggressive real estate development, construction works and timing of accruals at yearend.

Current interest-bearing loans increased by 7.7% or P2.0 billion while **non-current interest-bearing loans** surged by 261.6% or P21.0 billion, for a total increase of P23.7 billion which is attributed to new long-term loans obtained by Megaworld, GERI and ELI to finance their project development and expansion activities. While Emperador fully settled all its existing loans in the first half of the year, it incurred new short-term foreign loans primarily to finance its offshore expansion in the later part of the year

Income tax payable decreased by 31.3% or P287 million due to lower unpaid taxes at the end of the year by EMP, GADC, MEG and Travellers.

Current bonds payable decreased by P5 billion from the full redemption of Megaworld bonds upon maturity in May 2015. **Non-current bonds payable** increased by P3.0 billion or 5.9% due to weaker peso translations of long-term US dollar-denominated bonds of Megaworld ($450 million), Travellers ($300 million) and AGC ($500 million).

Advances from related parties rose up by 65.1% or P588 million which is attributed to advances obtained by Megaworld group.

Retirement benefit obligation went down 31.8% or P870 million which is attributed to the reductions for the plans of Megaworld and Emperador, which include the balance in Whyte and Mackay.

Deferred tax liabilities increased by 13.0% or P1.3 billion due to tax differences in Megaworld group arising primarily from their uncollected gross profit and capitalized interest.

Other non-current liabilities grew by 12.5% or P3.0 billion from increases in reserve for property development, deferred income on real estate sales and deferred rental income, which are reflective of aggressive real estate development and pre-selling activities. The reserve pertains to costs to complete the development of various projects while the deferred income represents unearned revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

The changes in **equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased by P10.6 billion or 8.4% which is attributed to net profit for the year and other comprehensive income.

December 31, 2014 vs 2013

Total assets amounted to P409.6 billion at end of the 2014 from P332.4 billion at beginning of year, up 23.2% primarily due to the assets consolidated from newly-acquired subsidiaries of Megaworld, Emperador and GADC. The Group is strongly liquid with **current assets** exceeding **current liabilities** 2.4times. Current assets amounted to P220.9 billion while current liabilities amounted to P92.5 billion at end of the current year.

For most of the balance sheet accounts, there is a corresponding note found in the audited consolidated financial statements where details, breakdown or composition of the accounts are presented. Please refer to those notes accompanying the consolidated financial statements. In summary:

Cash and cash equivalents dipped by P12.9 billion or 13.6% to end at P82.1 billion from P95.0 billion at the beginning of the year, primarily due to the business expansions and developments activities during the current year. Travellers made loan payments and development advances while Megaworld, Emperador and GADC had capital expenditures and business expansion activities. While Emperador's offshore expansion required huge cash outlay, such was partially replaced by the fresh investment put in by Arran in December. Cash flows from operating, financing and investing activities during the period were presented in the consolidated statements of cash flows.

Financial assets at fair value through profit or loss were reduced by 41.0% or P3.0 billion due to disposal of investments in marketable securities to fund expansion activities.

Current trade and other receivables rose up P12.6 billion or 42% primarily due to higher real estate sales, customer receivables in the UK subsidiary, and the additional advances paid by Megaworld, Travellers and Emperador to their suppliers and contractors in connection with the ongoing expansion works. **Noncurrent trade and other receivables** went up by P4.3 billion or 17.5% due to higher real estate reservations/sales booked during the year.

Inventories swelled by P24.6 billion or 50% due primarily to additional real estate lots, condominium units and resort shares completed and put up for sale, and the whisky inventories of cased stock, maturing stock and other materials.

Available-for-sale financial assets were up by P1.2 billion or 25.5% from marketable securities acquired at Megaworld level. These are carried at market values and the gain on the appreciation in market prices is shown under Equity portion of the statement of financial position.

Investments in and advances to associates and other related parties surged by P3.1 billion or 60.0% due primarily to the acquisition of 50% equity in an Spanish joint venture by Emperador and the divestment of share in an associate by GERI while advances dropped by about 11.0% year-on-year.

Property, plant and equipment enlarged by P12.6 billion or 30.1% due to construction works at RWM and Emperador, capital expenditures at GADC, and properties of newly consolidated subsidiaries. Construction works at RWM which doubled from a year ago were for Phase 2 (expansion of Marriott Hotel and Marriott West Wing) and Phase 3 (extension of Maxims Hotel, new Hilton Hotel and Sheraton Hotel Manila) of RWM project. Added to the property portfolio are the five distillery plants in Scotland, vineyard land in Spain, and new distillery plant in progress in Batangas.

Investment property went up by P10.4 billion or 38.3% from completed constructions of leasable property and equipment of Megaworld group.

Intangible assets swelled 169.2% or P18.7 billion from trademarks, distribution rights and goodwill brought about by the acquisition of Whyte and Mackay.

Land for future development increased by 5.5% or P688 million due to land acquired during the year for real estate business.

Deferred tax assets were up 6.5% or P47million and **deferred tax liabilities** up 41.6% or P3.0 billion, due to timing differences at MEG, EMP, Travellers, FCI and GADC. A substantial portion of these liabilities were attributable to the UK group.

Other current assets escalated 34.2% or P1.4 billion due to prepayments (such as insurance, taxes, rentals, advertising, benefits, among others), input vat and deposits. **Other non-current assets** leaped 135.8% or P3.0 billion due to advances for future investment made by Travellers to PAGCOR, which included P0.6 billion upfront cash. Refundable deposits and deferred input vat increased as well from a year ago.

Trade and other payables went up by 51.6% or P12.8 billion as trade payables, accrued expenses, retentions, gaming license fees, withholding taxes and output vat payables increase. This is due to the aggressive real estate development, construction works at Travellers, and advances obtained and unpaid at yearend.

Current interest-bearing loans surged 602.4% or P22.9 billion while **non-current interest-bearing loans** decreased by 12.9% or P1.2 billion, for a net increase of P21.7 billion which is attributed to loans obtained during the year by Emperador, Megaworld and GADC for their acquisition and expansion activities. On the other hand, Travellers made loan settlements such that it has no more currently maturing loan payable while AGI pre-terminated its loan payable.

Income tax payable increased by 17.6% or P137 million due to higher taxable profit in the fourth quarter for MEG, EMP and GADC.

Advances from related parties rose up by 155.1% or P549 million which is attributed to advances obtained by Megaworld group.

Retirement benefit obligation climbed 91.6% or P1.3 billion which is attributed significantly to the additional incurrences for the plans of Megaworld and Emperador, which include the balance in Whyte and Mackay, which was consolidated at year-end.

Other current liabilities went up by 5.4% or P1.1 billion and **other non-current liabilities** rose 60.0% or P9.0 billion from increases in reserve for property development, customers' deposits, deferred income on real estate sales which are reflective of aggressive real estate development and pre-selling activities, and equity-linked debt securities which EMP issued to Arran for its debt investment in EMP. The reserve pertains to costs to complete the development of various projects while the deferred income represents unearned revenue.

The changes in **equity components** are presented in detail in the consolidated statements of changes in equity. The equity attributable to owners of AGI increased by P18.8 billion or 17.5% from net profit for the year and dilution gain on acquisitions of new or additional shares in subsidiaries. The equity attributable to non-controlling interest increased by P8.5 billion or 10.2% from net profit and minority in new subsidiaries.

*b.2. **Liquidity and Capital Resources***

The consolidated balance sheets showed strong financial position and liquidity with current assets exceeding current liabilities 2.5times and 2.4times at end of 2015 and 2014, respectively. Total liabilities-to-equity ratios were at 0.9:1, 0.7:1, and 0.9:1 at the end of 2014, 2013 and 2012, respectively, while interest-bearing-debt-to-controlling-equity ratios were correspondingly at 0.76:1, 0.65:1, and 0.76:1.

The Group expects to meet its working capital and investment requirements for the ensuing year primarily from available funds, in addition to cash flows from operations. It may also from time to time seek other sources of funding, if necessary, which may include debt or equity financing, depending on its financing needs and market conditions.

Amounts in Million Pesos	December 31, 2015	December 31, 2014	December 31, 2013
Cash and equivalents	68,594	82,059	94,977
Interest-bearing debt –current	28,705	31,661	3,796
Interest-bearing debt –non-current*	89,050	64,980	65,708
Net cash (debt)	(49,161)	(14,582)	25,473
Cash and cash equivalents to interest-bearing debt	58%	85%	137%
Interest-bearing debt total equity	51%	44%	36%

*Include Equity-linked debt securities which is presented under Other non-current liabilities.

*b.3. **Prospects for the future***

AGI has a proven track record of creating value over time and is confident in its ability to deliver sustainable profitable growth and value for its stakeholders. AGI remains vigilant on delivering its business goals and intends to continue to adopt prudent measures to ensure financial sustainability. It is always on the lookout for new opportunities that will enhance the overall profitability of the group while maintaining established markets.

Emperador is looking into an exciting future with its much bigger product portfolio of brandy and whisky that have greater global reach. The group is best positioned to capitalize on premiumization opportunities. The completion of the purchase of the brandy and sherry business in Spain in February 2016 marks the birth of the world's biggest brandy company, and a new era begins not only for Emperador and Fundador but for whole brandy and sherry industry in Spain.

Megaworld has a strong roster of townships nationwide that are backed by adequate landbanking and carefully-thought masterplans. Its rental business had been growing exponentially and it targets P11 billion by the end of 2016.

Travellers sees a lot of potential for further growth as it continues to expand its non-gaming facilities and offerings. Now with the Marriott Grand Ballroom fully operational, the MICE market becomes a key differentiator.

GADC targets to open its 500th store midyear 2016, looking for more innovations to delight customers.

In 2016, all the business segments are expected to sustain their growth trajectory.

b.4. ***Others***

There are no other known material events subsequent to the end of the year that would have a material impact on the current year.

There are no other known trends or demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Group's liquidity increasing or decreasing in any material way. The Group does not have nor anticipate having any cash flow or liquidity problems within the next twelve months. AGI and its subsidiaries are not in default or breach of any note, loan, lease or other indebtedness or financing arrangement requiring it to make payments.

There are no other known events that will trigger direct or contingent financial obligation that is currently considered material to the Group, including any default or acceleration of an obligation.

There are no other material off-balance sheet transactions, arrangements, obligations, and other relationships with unconsolidated entities or other persons created during the reporting period.

There are no other known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations. There are also no known events that will cause material change in the relationship between costs and revenues.

There are no other significant elements of income or loss that did not arise from continuing operations.

There were no other material issuances, repurchases or repayments of debt and equity securities.

The business has no seasonal aspects that had a material effect on the financial condition and results of operations of the Group.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of *Alliance Global Group, Inc.* is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

Punongbayan & Araullo, the independent auditors appointed by the stockholders, has examined the consolidated financial statements of the Company and its subsidiaries in accordance with Philippine Standards on Auditing and, in its report to the Board of Directors and stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

ANDREW L. TAN
Chairman of the Board

KINGSON U. SIAN
President

DINA D.R. INTING
First Vice President for Finance
Chief Financial Officer

SUBSCRIBED AND SWORN to before me this April 14, 2016, affiants exhibiting to me their Passport/SSS No., as follows:

Names	Passport No./SSS No.	Date	Place of Issue
Andrew L. Tan	EC1087269	May 14, 2014 to 2019	Manila
Kingson U. Sian	EB7369260	February 12, 2013 to 2018	Manila
Dina D.R. Inting	SSS 03-5204775-3		

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Page No. 46
Book No. XV
Series of 2016

MA. ESMERALDA R. CUNANAN
Notary Public
Until December 31, 2017
Appt. No. M-28 (2016-2017) Attorney's No. 34562
MCLE Compliance No. V-0010463/9-18-2015
PTR No. MKT5323136/1-4-2016/Makati City
IBP Lifetime Member Roll No. 05413
Ground Level, Dela Rosa Carpark I
Dela Rosa St. Legaspi Village,
Makati City

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and the Stockholders
Alliance Global Group, Inc. and Subsidiaries
7th Floor, 1880 Eastwood Avenue
Eastwood City CyberPark
188 E. Rodriguez, Jr. Avenue
Bagumbayan, Quezon City

We have audited the accompanying consolidated financial statements of Alliance Global Group, Inc. and subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and 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 consolidated financial position of Alliance Global Group, Inc. and subsidiaries as at December 31, 2015 and 2014, and their consolidated financial performance and their consolidated cash flows for each of the three years in the period ended December 31, 2015 in accordance with Philippine Financial Reporting Standards.

PUNONGBAYAN & ARAULLO

By: **Mailene Sigue-Bisnar**
Partner

CPA Reg. No. 0090230
TIN 120-319-128
PTR No. 5321724 January 4, 2016, Makati City
SEC Group A Accreditation
Partner - No. 0396-AR-3 (until Oct. 15, 2018)
Firm - No. 0002-FR-4 (until Apr. 30, 2018)
BIR AN 08-002511-20-2015 (until Mar. 18, 2018)
Firm's BOA/PRC Cert. of Reg. No. 0002 (until Dec. 31, 2018)

April 12, 2016

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015 AND 2014

(Amounts in Philippine Pesos)

	Notes	2015	2014
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	P 68,593,959,027	P 82,058,836,647
Trade and other receivables - net	6	48,974,257,881	42,708,285,496
Financial assets at fair value through profit or loss	7	8,071,599,462	4,351,221,441
Inventories - net	8	78,630,596,803	73,706,121,918
Property development costs	2	14,858,143,294	12,390,474,097
Other current assets	9	6,591,193,029	5,653,565,184
Total Current Assets		225,719,749,496	220,868,504,783
NON-CURRENT ASSETS			
Trade and other receivables - net	6	32,815,736,822	28,914,555,021
Advances to landowners and joint ventures	10.1	4,593,436,457	4,823,705,981
Available-for-sale financial assets - net	11	2,188,729,177	5,972,087,128
Land for future development	2	18,115,516,349	13,212,623,684
Investments in and advances to associates and other related parties	12	10,668,198,034	8,157,122,260
Property, plant and equipment - net	13	66,274,228,540	54,218,737,647
Investment property - net	14	48,170,946,188	37,742,292,122
Intangible assets - net	15	29,562,197,769	29,744,925,357
Deferred tax assets	28	751,558,125	775,835,966
Other non-current assets	9	9,864,457,430	5,188,534,145
Total Non-current Assets		223,005,004,891	188,750,419,311
TOTAL ASSETS		P 448,724,754,387	P 409,618,924,094
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Trade and other payables	16	P 38,899,002,354	P 37,631,587,475
Interest-bearing loans	17	28,704,613,782	26,660,576,448
Income tax payable		629,965,773	916,910,601
Bonds payable	18	-	5,000,000,000
Other current liabilities	20	21,499,813,670	22,331,619,569
Total Current Liabilities		89,733,395,579	92,540,694,093
NON-CURRENT LIABILITIES			
Interest-bearing loans	17	29,071,029,819	8,038,681,649
Bonds payable	18	54,719,727,451	51,687,525,333
Advances from related parties	29	1,491,160,829	903,152,243
Retirement benefit obligation	27	1,866,100,741	2,736,675,951
Redeemable preferred shares	19	1,929,355,258	1,854,419,622
Deferred tax liabilities - net	28	11,587,737,168	10,259,066,064
Other non-current liabilities	20	27,138,053,551	24,115,293,267
Total Non-current Liabilities		127,803,164,817	99,594,814,129
Total Liabilities		217,536,560,396	192,135,508,222
EQUITY			
Equity attributable to owners of the parent company	21	137,056,497,134	126,470,464,979
Non-controlling interest		94,131,696,857	91,012,950,893
Total Equity		231,188,193,991	217,483,415,872
TOTAL LIABILITIES AND EQUITY		P 448,724,754,387	P 409,618,924,094

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
REVENUES				
Sale of goods	23	P 77,191,938,805	P 62,035,977,237	P 56,518,969,704
Rendering of services	23	58,481,511,173	58,558,856,300	56,686,982,449
Share in net profits of associates and joint ventures - net	12	268,621,860	122,737,983	-
Finance and other income	26	3,155,787,700	4,687,588,254	10,173,373,850
		139,097,859,538	125,405,159,774	123,379,326,003
COSTS AND EXPENSES				
Cost of goods sold	24	50,442,851,655	40,130,669,400	37,597,032,036
Cost of services	24	30,163,499,053	28,094,670,463	27,336,872,088
Other operating expenses	25	25,712,056,719	26,087,776,019	25,010,802,514
Share in net losses of associates and joint ventures - net	12	-	-	13,602,687
Finance costs and other charges	26	5,852,497,011	4,455,909,712	5,008,779,695
		112,170,904,438	98,769,025,594	94,967,089,020
PROFIT BEFORE TAX		26,926,955,100	26,636,134,180	28,412,236,983
TAX EXPENSE	28	5,240,654,206	5,526,445,051	5,356,757,097
NET PROFIT		21,686,300,894	21,109,689,129	23,055,479,886
OTHER COMPREHENSIVE INCOME				
Items that will not be reclassified subsequently to profit or loss				
Actuarial gains (losses) on remeasurement of retirement benefit obligation		887,318,413	(414,155,236)	9,869,795
Share in other comprehensive income of associates and joint ventures	12	38,744,144	-	10,078,916
Deferred tax income (expense) relating to components of other comprehensive income	28	(206,483,118)	86,813,531	(6,932,192)
		719,579,439	(327,341,705)	13,016,519
Items that will be reclassified subsequently to profit or loss				
Net unrealized fair value gains (losses) on available-for-sale financial assets	11	(1,116,201,288)	620,309,706	(146,071,389)
Translation adjustments	2	(773,889,829)	(819,063,669)	14,675,041
Increase (decrease) in revaluation reserves due to available-for-sale financial assets sold by subsidiaries		-	(214,810,937)	(682,818)
Deferred tax income (expense) relating to components of other comprehensive income	28	(20,960,996)	30,684,518	(15,271,852)
		(1,911,052,113)	(382,880,382)	(147,351,018)
TOTAL COMPREHENSIVE INCOME		P 20,494,828,220	P 20,399,467,042	P 22,921,145,387
Net profit attributable to:				
Owners of the parent company		P 13,964,765,317	P 13,246,243,353	P 17,218,460,867
Non-controlling interest		7,721,535,577	7,863,445,776	5,837,019,019
		P 21,686,300,894	P 21,109,689,129	P 23,055,479,886
Total comprehensive income attributable to:				
Owners of the parent company		P 13,581,880,917	P 12,536,021,266	P 17,084,126,368
Non-controlling interest		6,912,947,303	7,863,445,776	5,837,019,019
		P 20,494,828,220	P 20,399,467,042	P 22,921,145,387
Earnings Per Share for the Net Profit Attributable to Owners of the Parent Company:	22			
Basic		P 1.3598	P 1.3065	P 1.7031
Diluted		P 1.3552	P 1.2999	P 1.6954

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	Capital Stock	Additional Paid-in Capital	Treasury Shares – at cost	Net Actuarial Losses on Retirement Plan Benefit Plan	Net Fair Value Gains (Losses) on Available-for-Sale Financial Assets	Accumulated Translation Adjustments	Dilution Gain	Share Options	Retained Earnings Appropriated	Retained Earnings Unappropriated	Retained Earnings Total	Total	Noncontrolling Interest	Total Equity
		Attributable to Owners of the Parent Company													
Balance at January 1, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 551,140,907)	(P 505,662,807)	(P 1,692,318,460)	P 19,980,402,684	P 577,813,280	P 1,225,000,000	P 63,707,319,305	P 64,932,319,305	P 126,470,464,979	P 91,012,950,893	P 217,483,415,872
Transactions with owners:															
Share-based compensation	21,27	-	-	-	-	-	-	-	149,679,010	-	-	-	149,679,010	150,322,881	300,001,891
Change in percentage ownership		-	-	-	-	-	-	-	-	-	-	-	-	(2,291,217,054)	(2,291,217,054)
Acquisition of a subsidiary		-	-	-	-	-	-	-	-	-	-	-	-	254,687,970	254,687,970
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(1,907,995,136)	(1,907,995,136)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,145,527,772)	(3,145,527,772)	(3,145,527,772)	-	(3,145,527,772)
		-	-	-	-	-	-	-	149,679,010	-	(3,145,527,772)	(3,145,527,772)	(2,995,848,762)	(3,794,201,339)	(6,790,050,101)
Appropriation of retained earnings	21	-	-	-	-	-		-	-	1,990,590,660	(1,990,590,660)	-	-	-	-
Reversal of appropriation	21	-	-	-	-	-		-	-	(1,225,000,000)	1,225,000,000	-	-	-	-
Total comprehensive income		-	-	-	479,870,969	(184,840,938)	(677,914,431)	-	-	-	13,964,765,317	13,964,765,317	13,581,880,917	6,912,947,303	20,494,828,220
Balance at December 31, 2015		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 71,269,938)	(P 690,503,745)	(P 2,370,232,891)	P 19,980,402,684	P 727,492,290	P 1,990,590,660	P 73,760,966,190	P 75,751,556,850	P 137,056,497,134	P 94,131,696,857	P 231,188,193,991
Balance at January 1, 2014		P 10,269,827,979	P 33,611,840,432	(P 955,217,410)	(P 227,805,621)	(P 911,161,576)	(P 903,939,309)	P 10,974,217,660	P 264,469,448	P 2,145,000,000	P 53,400,459,760	P 55,545,459,760	P 107,667,691,363	P 82,553,954,269	P 190,221,645,632
Transactions with owners:															
Issuances during the year		-	783,540,547	139,708,955	-	-	-	-	-	-	-	-	923,249,502	-	923,249,502
Share-based compensation	21,27	-	-	-	-	-	-	-	313,343,832	-	-	-	313,343,832	-	313,343,832
Change in percentage ownership		-	-	-	-	-	-	8,997,252,151	-	-	(3,575,572)	(3,575,572)	8,993,676,579	2,074,643,166	11,068,319,745
Acquisition of a subsidiary		-	-	(120,648,619)	4,006,419	-	-	8,932,873	-	-	-	-	(107,709,327)	-	(107,709,327)
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(1,479,092,318)	(1,479,092,318)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,855,808,236)	(3,855,808,236)	(3,855,808,236)	-	(3,855,808,236)
		-	783,540,547	19,060,336	4,006,419	-	-	9,006,185,024	313,343,832	-	(3,859,383,808)	(3,859,383,808)	6,266,752,350	595,550,848	6,862,303,198
Appropriation of retained earnings	21	-	-	-	-	-	-			1,225,000,000	(1,225,000,000)	-	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-			(2,145,000,000)	2,145,000,000	-	-	-	-
Total comprehensive income		-	-	-	(327,341,705)	405,498,769	(788,379,151)	-	-	-	13,246,243,353	13,246,243,353	12,536,021,266	7,863,445,776	20,399,467,042
Balance at December 31, 2014		P 10,269,827,979	P 34,395,380,979	(P 936,157,074)	(P 551,140,907)	(P 505,662,807)	(P 1,692,318,460)	P 19,980,402,684	P 577,813,280	P 1,225,000,000	P 63,707,319,305	P64,932,319,305	P 126,470,464,979	P 91,012,950,893	P 217,483,415,872
Balance at January 1, 2013		P 10,269,827,979	P 33,501,908,751	(P 984,512,637)	(P 240,822,140)	(P 764,407,369)	(P 903,342,498)	P 1,277,846,433	P 107,652,616	P 1,400,000,000	P 40,244,157,373	P41,644,157,373	P 83,908,308,508	P 59,847,731,853	P 143,756,040,361
Transactions with owners:															
Issuances during the year		-	109,931,681	29,295,227	-	-	-	-	-	-	-	-	139,226,908	-	139,226,908
Share-based compensation	21,27	-	-	-	-	-	-	-	156,816,832	-	-	-	156,816,832	-	156,816,832
Change in percentage ownership		-	-	-	-	-	-	9,696,371,227	-	-	524,455,540	524,455,540	10,220,826,767	20,234,493,742	30,455,320,509
Dividend from investee		-	-	-	-	-	-	-	-	-	-	-	-	(3,365,290,345)	(3,365,290,345)
Cash dividends declared	21	-	-	-	-	-	-	-	-	-	(3,841,614,020)	(3,841,614,020)	(3,841,614,020)	-	(3,841,614,020)
		-	109,931,681	29,295,227	-	-	-	9,696,371,227	156,816,832	-	(3,317,158,480)	(3,317,158,480)	6,675,256,487	16,869,203,397	23,544,459,884
Appropriation of retained earnings	21	-	-	-	-	-	-	-	-	2,145,000,000	(2,145,000,000)	-	-	-	-
Reversal of appropriation	21	-	-	-	-	-	-	-	-	(1,400,000,000)	1,400,000,000	-	-	-	-
Total comprehensive income		-	-	-	13,016,519	(146,754,207)	(596,811)	-	-	-	17,218,460,867	17,218,460,867	17,084,126,368	5,837,019,019	22,921,145,387
Balance at December 31, 2013		P 10,269,827,979	P 33,611,840,432	(P 955,217,410)	(P 227,805,621)	(P 911,161,576)	(P 903,939,309)	P 10,974,217,660	P 264,469,448	P 2,145,000,000	P 53,400,459,760	P55,545,459,760	P 107,667,691,363	P 82,553,954,269	P 190,221,645,632

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		**P 26,926,955,100**	P 26,636,134,180	P P28,412,236,983
Adjustments for:				
Depreciation and amortization	24,25	**4,486,155,305**	4,293,318,046	4,319,478,840
Interest expense	26	**4,030,183,353**	4,281,446,845	4,285,500,975
Interest income	26	**(2,477,581,190)**	(2,589,097,758)	(3,099,675,804)
Unrealized foreign currency losses (gains) - net		**1,671,668,080**	(29,509,849)	795,207,832
Stock option benefit expense	27	**300,444,171**	313,343,832	156,816,832
Share in net losses (profits) of associates and joint ventures	12	**(268,621,860)**	(122,737,983)	13,602,687
Fair value losses (gains) - net	26	**(257,633,748)**	(8,363,512)	429,371,099
Gain on sale of investments in an associate	26	**(181,347,731)**	-	-
Impairment and other losses	6,8,25	**51,187,163**	287,425,470	8,011,392
Loss (gain) on sale of investment in available-for-sale financial assets	26	**34,615,950**	(41,859,502)	(128,177,128)
Gain on reversal of impairment losses	8,13,26	**(1,877,430)**	-	(18,616,806)
Unrealized loss on interest rate swap	26	**30,186,511**	36,405,850	112,842,001
Dividend income	26	**(15,376,038)**	(20,278,117)	(14,178,074)
Loss (gain) on disposal of property, plant and equipment, investment property and intangible assets	26	**(1,779,421)**	(69,298,776)	37,781,242
Gain on reversal of liabilities	26	**(6,000,000)**	(121,428,571)	(160,666,483)
Income from acquisition and deconsolidation of subsidiaries	26	**(3,758,167)**	(524,766,704)	(763,834,597)
Reversal of preacquisition loss	26	**(291,847)**	(9,150,638)	(6,315,710)
Gain on divestment of interest in a subsidiary	26	**-**	-	(2,905,304,542)
Operating income before working capital changes		**34,317,128,201**	32,311,582,813	31,474,080,739
Increase in trade and other receivables		**(12,471,342,169)**	(13,545,274,090)	(7,644,846,317)
Decrease (increase) in financial assets at fair value through profit or loss		**(2,874,686,770)**	2,976,051,218	(2,151,807,864)
Increase in inventories		**(5,010,665,696)**	(13,207,753,710)	(6,544,122,145)
Decrease in property development costs		**(2,467,669,197)**	(1,950,203,880)	(1,524,928,568)
Increase in other current assets		**(1,614,508,215)**	(1,721,938,963)	(515,868,047)
Increase in trade and other payables		**1,346,538,032**	10,623,483,673	381,820,259
Increase (decrease) in other current liabilities		**(1,060,888,298)**	1,114,963,317	3,984,087,152
Increase (decrease) in retirement benefit obligation		**16,743,203**	205,550,332	252,951,839
Increase in other non-current liabilities		**3,347,111,659**	8,598,925,379	1,418,478,507
Cash generated from operations		**13,527,760,750**	25,405,386,089	19,129,845,555
Cash paid for taxes		**(4,210,292,049)**	(4,283,611,063)	(5,133,836,925)
Net Cash From Operating Activities		**9,317,468,701**	21,121,775,026	13,996,008,630
Balance carried forward		**P 9,317,468,701**	P 21,121,775,026	P 13,996,008,630

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013

(Amounts in Philippine Pesos)

	Notes	2015	2014	2013
Balance brought forward		P 9,317,468,701	P 21,121,775,026	P 13,996,008,630
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property, plant and equipment	13	(13,362,202,290)	(9,891,036,964)	(10,085,811,085)
Investment property	14	(12,896,131,534)	(8,727,663,262)	(8,717,447,629)
Other non-current assets		(4,675,923,285)	(2,908,143,881)	(185,433,990)
Land for future development		(4,358,367,202)	(4,097,181,884)	(1,884,635,990)
Shares of stock of subsidiary and associates	12	(956,432,437)	(25,804,429,496)	(4,963,837,458)
Available-for-sale financial assets	11	(536,169,158)	(1,687,722,424)	(676,652,582)
Intangible assets	15	(125,000)	(1,158,446,571)	(16,153,915)
Proceeds from:				
Sale of available-for-sale financial assets		3,240,197,938	1,553,703,097	1,181,312,255
Sale of investment in associates	12	422,256,169	5,000,000	-
Collections from landowners and joint ventures		230,269,524	-	61,781,123
Disposal of property, plant and equipment		205,139,013	937,649,618	302,249,551
Disposal of investment property		33,846,200	455,094,610	763,937,936
Collections of advances from associates and other related parties	12	193,297	1,258,582,989	58,995,675
Disposal of intangible assets		-	1,219,545	-
Interest received		2,190,794,144	2,460,586,253	2,965,071,202
Additional advances granted to associates and other related parties		(1,557,034,759)	(996,006,650)	(903,799,948)
Cash dividends received		15,376,038	20,278,117	14,178,074
Net Cash Used in Investing Activities		(32,004,313,342)	(48,578,516,903)	(22,086,246,781)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Interest-bearing loans and bonds		50,622,198,717	26,897,068,225	10,489,117,497
Issuance of shares of subsidiaries		13,737,924	-	36,225,725,199
Issuance of Equity-linked debt securities		-	5,253,600,000	-
Sale of treasury shares		-	802,600,883	139,226,908
Payment of interest-bearing loans		(32,852,765,742)	(9,632,098,450)	(5,066,372,454)
Interest paid		(5,230,421,625)	(4,409,911,861)	(2,822,046,298)
Dividends paid	21	(5,053,522,908)	(3,855,808,236)	(3,841,614,020)
Advances collected and received from related parties	29	2,404,220,900	1,617,259,882	1,101,348,707
Advances granted and paid to related parties	29	(420,471,559)	(2,362,902,237)	(1,239,356,652)
Payment of derivative liabilities		(324,351,375)	(318,270,188)	-
Net Cash From Used in Financing Activities		9,158,624,332	13,991,538,018	34,986,028,887
NET INCREASE DECREASE IN CASH AND CASH EQUIVALENTS		(13,528,220,309)	(13,465,203,859)	26,895,790,736
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		82,058,836,647	94,977,525,445	67,965,116,707
BEGINNING BALANCE OF CASH AND CASH EQUIVALENTS OF NEW SUBSIDIARIES		63,342,689	387,730,871	117,016,208
PREACQUISITION CHANGES IN CASH AND CASH EQUIVALENTS OF ACQUIRED SUBSIDIARIES		-	158,784,190	(398,206)
CASH AND CASH EQUIVALENTS AT END OF YEAR		P 68,593,959,027	P 82,058,836,647	P 94,977,525,445

Supplemental Information on Non-cash Investing and Financing Activities:

In the normal course of business, the Group enters into non-cash transactions such as exchanges or purchases on account of real estate and other assets. Other non-cash transactions include transfers of property from Land for Future Development to Property Development Costs or Investment Property as the property goes through its various stages of development, and acquisitions of various Property, Plant and Equipment on account.

See Notes to Consolidated Financial Statements.

(Amounts in Philippine Pesos)

1. CORPORATE INFORMATION

Alliance Global Group, Inc. (the Company, Parent Company, or AGI) was registered with the Philippine Securities and Exchange Commission (SEC) on October 12, 1993 and began operations in 1994 as a glass-container manufacturer. On March 12, 1999, it obtained approval from the SEC to broaden its primary business into that of a holding company. Given a wider scope of business, AGI immediately diversified its investment holdings and on April 19, 1999, AGI listed its shares in the Philippine Stock Exchange (PSE). Currently, the Company and its subsidiaries and associates (collectively referred to as the Group) operate businesses in real estate development, tourism-entertainment and gaming, food and beverage, and quick–service restaurant under the following entities (see Notes 4 and 12):

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2015	2014	2013
Subsidiaries					
Megaworld and subsidiaries					
Megaworld Corporation	Megaworld	(a)	**67%**	67%	65%
Megaworld Resort Estates, Inc.		(b)	**83%**	83%	82%
Sonoma Premiere Land, Inc.		(c)	**73%**	73%	62%
Megaworld Land, Inc.			**67%**	67%	65%
Prestige Hotels and Resorts, Inc.			**67%**	67%	65%
Mactan Oceanview Properties and Holdings, Inc.			**67%**	67%	65%
Megaworld Cayman Islands, Inc.		(d)	**67%**	67%	65%
Richmonde Hotel Group International Ltd.	RHGI	(e)	**67%**	67%	65%
Eastwood Cyber One Corporation	ECOC		**67%**	67%	65%
Megaworld Cebu Properties, Inc.			**67%**	67%	65%
Megaworld Newport Property Holdings, Inc.			**67%**	67%	65%
Oceantown Properties, Inc.			**67%**	67%	65%
Piedmont Property Ventures, Inc.			**67%**	67%	65%
Stonehaven Land, Inc.			**67%**	67%	65%
Streamwood Property, Inc.			**67%**	67%	65%
Suntrust Properties, Inc.	SPI		**67%**	67%	65%
Lucky Chinatown Cinemas, Inc.			**67%**	67%	65%
Luxury Global Hotels and Leisures, Inc.			**67%**	67%	65%
Suntrust Ecotown Developers, Inc.	SEDI		**67%**	67%	65%
Arcovia Properties, Inc. (formerly Woodside Greentown Properties, Inc.)	API		**67%**	67%	65%
Citywalk Building Administration, Inc.		(f)	**67%**	67%	-
Forbestown Commercial Center Administration, Inc.		(f)	**67%**	67%	-
Paseo Center Building Administration, Inc.		(f)	**67%**	67%	-
Uptown Commercial Center Administration, Inc.		(f)	**67%**	67%	-
Global One Integrated Business Services, Inc.		(f)	**67%**	67%	-
Luxury Global Malls, Inc.		(f)	**67%**	67%	-
Davao Park District Holdings Inc.	DPDHI	(f)	**67%**	67%	-
Governor's Hills Science School, Inc.		(g)	**67%**	67%	-
Sunrays Properties Management, Inc.		(g)	**67%**	67%	-
Suntrust One Shanata, Inc.		(g)	**67%**	67%	-
Suntrust Two Shanata, Inc.		(g)	**67%**	67%	-
Belmont Newport Luxury Hotels, Inc.		(h)	**67%**	-	-
Global One Hotel Group, Inc.		(h)	**67%**	-	-
Ilo-ilo Center Mall Administration, Inc.		(h)	**67%**	-	-
Newtown Commercial Center Administration, Inc.		(h)	**67%**	-	-
McKinley Cinemas, Inc.		(h)	**67%**	-	-
Uptown Cinemas, Inc.		(h)	**67%**	-	-
Valley Peaks Property Management, Inc.		(h)	**67%**	-	-
Megaworld Bacolod Properties, Inc. (formerly Bacolod-Murcia Milling Co., Inc.)	MBPI	(i)	**62%**	-	-
Southwoods Mall Inc.	SMI	(j)	**61%**	54%	-
Megaworld Global-Estate, Inc.		(k)	**60%**	59%	65%
Manila Bayshore Property Holdings, Inc.		(l)	**57%**	57%	52%
Twin Lakes Corp.	TLC		**56%**	45%	45%
Empire East Land Holdings, Inc.	EELHI		**55%**	55%	53%
Valle Verde Properties, Inc.			**55%**	55%	53%
Empire East Communities, Inc.			**55%**	55%	53%
Sherman Oak Holdings, Inc.			**55%**	55%	53%
Eastwood Property Holdings, Inc.			**55%**	55%	53%

(Amounts in Philippine Pesos)

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2015	2014	2013
Subsidiaries					
Megaworld and subsidiaries					
20th Century Nylon Shirt, Inc.		(i)	**55%**	-	-
Global-Estate Resorts, Inc.	GERI	(m)	**55%**	54%	65%
Fil-Estate Properties, Inc.	FEPI		**55%**	54%	65%
Aklan Holdings Inc.			**55%**	54%	65%
Blu Sky Airways, Inc.			**55%**	54%	65%
Fil-Estate Subic Development Corp.			**55%**	54%	65%
Fil-Power Construction Equipment Leasing Corp.			**55%**	54%	65%
Golden Sun Airways, Inc.			**55%**	54%	65%
La Compaña De Sta. Barbara, Inc.			**55%**	54%	65%
MCX Corporation			**55%**	54%	65%
Pioneer L-5 Realty Corp.			**55%**	54%	65%
Prime Airways, Inc.			**55%**	54%	65%
Sto. Domingo Place Development Corp.			**55%**	54%	65%
Fil-Power Concrete Blocks Corp.			**55%**	54%	65%
Fil-Estate Golf and Development, Inc			**55%**	54%	65%
Golforce, Inc.			**55%**	54%	65%
Fil-Estate Urban Development Corp.			**55%**	54%	65%
Novo Sierra Holdings Corp.			**55%**	54%	65%
Global Homes and Communities, Inc.			**55%**	54%	-
Southwoods Ecocentrum Corp. (formerly Fil-Estate Ecocentrum Corp.)			**55%**	30%	36%
Philippine Aquatic Leisure Corp.			**55%**	30%	36%
Megaworld Central Properties, Inc.			**51%**	51%	50%
Townsquare Development, Inc.			**50%**	50%	49%
Golden Panda-ATI Realty Corporation		(g)	**50%**	50%	-
La Fuerza, Inc.	LFI	(g)	**45%**	45%	-
Fil-Estate Industrial Park, Inc.			**44%**	43%	51%
Megaworld-Daewoo Corporation	MDC		**40%**	40%	39%
Laguna Bel-Air School, Inc.			**40%**	40%	38%
Eastwood Cinema 2000, Inc.			**37%**	37%	35%
Gilmore Property Marketing Associates Inc.	GPMAI		**35%**	35%	47%
Megaworld Globus Asia, Inc.			**34%**	34%	33%
Philippine International Properties, Inc.			**34%**	34%	32%
Sherwood Hills Development Inc.			**30%**	30%	36%
Oceanfront Properties, Inc.	OFPI		**28%**	27%	32%
Boracay Newcoast Hotel Group, Inc.	BNHGI	(n), 12.5	-	-	65%
Emperador and subsidiaries					
Emperador Inc.	EMP or Emperador	(o)	**82%**	81%	88%
Emperador Distillers, Inc.	EDI		**82%**	81%	88%
Emperador International Ltd.	EIL	(e)	**82%**	81%	88%
The Bar Beverage, Inc.			**82%**	81%	88%
Bodega San Bruno, SL	BSB	(p)	**82%**	81%	88%
Bodegas Fundador SLU	BFS	(p)	**82%**	-	-
Emperador Europe SARL	EES	(p)	**82%**	81%	88%
Emperador Asia Pte Ltd.	EA	(p)	**82%**	81%	-
Grupo Emperador Spain, S.A.	GES	(p)	**82%**	81%	-
Emperador Holdings (GB) Limited.	EGB	(p)	**82%**	81%	-
Emperador UK Limited	EUK	(p)	**82%**	81%	-
Whyte and Mackay Group Limited	WMG	(p)	**82%**	81%	-
Whyte and Mackay Limited	WML	(p)	**82%**	81%	-
Whyte and Mackay Warehousing Ltd.	WMWL	(p)	**82%**	81%	-
Cocos Vodka Distillers Philippines, Inc.		(h)	**82%**	-	-
Anglo Watsons Glass, Inc.	AWGI		**64%**	81%	88%
GADC and subsidiaries					
Golden Arches Development Corporation	GADC		**49%**	49%	49%
Golden Arches Realty Corporation			**49%**	49%	49%
Clark Mac Enterprises, Inc.			**49%**	49%	49%
Advance Food Concepts Manufacturing, Inc.	AFCMI		**49%**	46%	46%
Onzal Development Corp.	ODC	(i)	**49%**	-	-
Golden Laoag Foods Corporation			**38%**	38%	38%

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2015	2014	2013
Subsidiaries					
GADC and subsidiaries					
Davao City Food Industries, Inc.			**37%**	37%	37%
Red Asian Food Solutions			**37%**	37%	34%
First Golden Laoag Ventures			**34%**	34%	34%
Retiro Golden Foods, Inc.			**34%**	34%	34%
McDonald's Anonas City Center			**34%**	34%	34%
McDonald's Puregold Taguig			**29%**	29%	29%
Golden City Food Industries, Inc.	GCFII	(g), 12.8	**29%**	29%	-
McDonald's Bonifacio Global City			**27%**	27%	27%
Molino First Golden Foods, Inc.	MFGFI	(g)	**26%**	26%	-
GY Alliance Concepts, Inc.	GYACI	(g)	**19%**	19%	-
Travellers and subsidiaries					
Travellers International Hotel Group, Inc.	Travellers	(q)	**47%**	47%	42%
APEC Assets Limited	APEC		**47%**	47%	42%
Bright Leisure Management, Inc.			**47%**	47%	42%
Deluxe Hotels and Recreation, Inc.			**47%**	47%	42%
Entertainment City Integrated Resorts & Leisure, Inc.			**47%**	47%	42%
Grand Integrated Hotels and Recreation, Inc.			**47%**	47%	42%
Grandservices, Inc.			**47%**	47%	42%
Grandventure Management Services, Inc.			**47%**	47%	42%
Lucky Star Hotels and Recreation, Inc.			**47%**	47%	42%
Majestic Sunrise Leisure & Recreation, Inc.			**47%**	47%	42%
Net Deals, Inc.			**47%**	47%	42%
Newport Star Lifestyle, Inc.			**47%**	47%	42%
Royal Bayshore Hotels & Amusement, Inc.			**47%**	47%	42%
FHTC Entertainment & Production, Inc.	FHTC		**47%**	47%	42%
Bright Pelican Leisure and Production, Inc.			**47%**	47%	42%
Golden Peak Leisure and Recreation, Inc.			**47%**	47%	42%
Westside City Resorts World, Inc. (formerly Resorts World Bayshore City, Inc.)	WCRWI	(r)	**47%**	47%	45%
Purple Flamingos Amusement and Leisure Corporation			**47%**	47%	45%
Red Falcon Amusement and Leisure Corporation			**47%**	47%	45%
Agile Fox Amusement and Leisure Corporation		(h)	**47%**	-	-
Aquamarine Delphinium Leisure and Recreation, Inc.		(h)	**47%**	-	-
Brilliant Apex Hotels and Leisure Corporation		(h)	**47%**	-	-
Coral Primrose Leisure and Recreation Corporation		(h)	**47%**	-	-
Lucky Panther Amusement and Leisure Corporation		(h)	**47%**	-	-
Luminescent Vertex Hotels and Leisure Corporation		(h)	**47%**	-	-
Magenta Centaurus Amusement and Leisure Corporation		(h)	**47%**	-	-
Sapphire Carnation Leisure and Recreation Corporation		(h)	**47%**	-	-
Scarlet Milky Way Amusement and Leisure Corporation		(h)	**47%**	-	-
Sparkling Summit Hotels and Leisure Corporation		(h)	**47%**	-	-
Valiant Leopard Amusement and Leisure Corporation		(h)	**47%**	-	-
Vermillion Triangulum Amusement and Leisure Corporation		(h)	**47%**	-	-
Westside Theatre Inc.		(h)	**47%**	-	-
Corporate and Others					
New Town Land Partners, Inc.	NTLPI		**100%**	100%	100%
Tradewind Estates, Inc.			**100%**	100%	100%
Great American Foods, Inc.		(s)	**100%**	100%	100%
McKester America, Inc.		(s)	**100%**	100%	100%
Alliance Global Brands, Inc.			**100%**	100%	100%
McKester Pik-nik International Limited	MPIL	(e)	**100%**	100%	100%
Venezia Universal Ltd.		(e)	**100%**	100%	100%
Travellers Group Ltd.		(e)	**100%**	100%	100%
Alliance Global Group Cayman Islands, Inc.	AG Cayman	(d)	**100%**	100%	100%
Greenspring Investment Holdings Properties Ltd.	Greenspring	(e)	**100%**	100%	100%
Shiok Success International, Ltd.		(e)	**100%**	100%	100%
Dew Dreams International, Ltd.		(e)	**100%**	100%	100%
First Centro, Inc.	FCI		**100%**	100%	75%
Oceanic Realty Group International, Inc.			**100%**	100%	75%
ERA Real Estate Exchange, Inc.			**100%**	100%	75%
Global One Real Estate Spain, SAU		(t)	**100%**	100%	-
Adams Properties, Inc.	Adams		**60%**	60%	60%

(Amounts in Philippine Pesos)

Subsidiaries/Associates/ Joint Ventures	Short Name	Notes	Percentage of Effective Ownership of AGI 2015	2014	2013
Associates					
Bonifacio West Development Corporation	BWDC	12.4	**31%**	31%	-
Suntrust Home Developers, Inc.	SHDI	12.3	**29%**	29%	27%
First Oceanic Property Management, Inc.		(u)	**29%**	29%	27%
Citylink Coach Services, Inc.		(u)	**29%**	29%	27%
Palm Tree Holdings and Development Corporation	PTHDC		**27%**	27%	26%
BNHGI		(n), 12.5	**25%**	32%	-
Fil-Estate Network, Inc.	FENI		**11%**	11%	13%
Fil-Estate Sales, Inc.	FESI		**11%**	11%	13%
Fil-Estate Realty and Sales Associates, Inc.	FERSAI		**11%**	11%	13%
Fil-Estate Realty Corp.	FERC		**11%**	11%	13%
Pacific Coast Mega City, Inc.	PCMCI	12.2	**11%**	-	-
Nasugbu Properties, Inc.	NPI		**8%**	8%	9%
LFI			-	-	32%
Genting-Star Tourism Academy, Inc.	GSTAI	29.5	-	-	20%
Joint Ventures					
Front Row Theatre Management, Inc.	FRTMI	(v), 12.7	**50%**	-	-
Bodegas Las Copas, SL	BLC	(w), 12.6	**41%**	41%	-
GCFII		(g), 12.8	-	-	25%

Explanatory notes:

(a) AGI's effective ownership interest is derived from its 44% direct ownership and 3% direct holdings of FCI, 18% direct holdings of NTLPI and 2% holdings of other subsidiaries
(b) AGI and Megaworld directly owns 49% and 51%, respectively
(c) A subsidiary of AGI through 60% and 40% direct ownership of EELHI and FCI, respectively
(d) Foreign subsidiaries operating under the laws of the Cayman Islands
(e) Foreign subsidiaries operating under the Business Companies Act of the British Virgin Islands (BVI)
(f) Incorporated subsidiaries in 2014
(g) Acquired subsidiaries in 2014
(h) Newly incorporated subsidiaries in 2015
(i) Newly acquired subsidiaries in 2015
(j) Effective ownership over SMI increased due to additional subscriptions made by Megaworld in 2015.
(k) A subsidiary of AGI through 60% and 40% direct ownership of GERI and Megaworld, respectively
(l) A subsidiary of AGI through 50/50 ownership of Travellers and Megaworld
(m) AGI's effective ownership interest represents its indirect holdings through Megaworld, which owns 82% and 80% of GERI as at December 31, 2015 and 2014, respectively, and no direct holdings. In 2013, AGI's effective ownership interest is composed of 49% direct ownership and 16% indirect ownership through Megaworld.
(n) In 2013, FEPI owns 100% ownership interest over BNHGI. In 2014, FEPI disposed 40% of its ownership interest over BNHGI. FEPI lost its control over BNHGI thereby reclassifying it as an associate.
(o) In 2014, AGI's effective ownership over EMP decreased as a result of issuance of capital stock of EMP.
(p) Subsidiaries under EIL. EA is operating under the laws of Singapore while GES and its subsidiaries BSB and BFS are operating under the laws of Spain. EES is operating under the laws of Luxembourg. EGB (the ultimate UK parent) is operating under the laws of England and Wales. EUK, WMG, WML and WMWL are operating under the laws of Scotland. EA, EES and EGB are direct subsidiaries of EIL.
(q) At end of 2013, Travellers' common shares are directly owned 11% by AGI, 3% by FCI, 6% by Megaworld, 46% by Adams, 24% by Genting Hongkong Limited (GHL) and 10% by the public. In 2014, AGI increased its common stock ownership to 25% while Megaworld decreased to 2% due to acquisition of Travellers' shares from Megaworld.
(r) Incorporated in 2013. Effective ownership in 2013 is through 20% direct ownership, 6% through 10% ownership of Megaworld, 4% through 5% ownership of FCI and 15% through 25% ownership of Adams. In 2014, Travellers subscribed to the increase in authorized capital stock of RWBCI resulting to 95% direct ownership. AGI direct ownership decreased to 1%.
(s) Foreign subsidiaries of MPIL operating under the laws of United States of America
(t) Acquired subsidiary in 2014 operating under the laws of Spain
(u) Subsidiaries of SHDI, an associate of Megaworld
(v) A joint venture through FHTC
(w) A foreign joint venture under GES and operating under the laws of Spain

The Company, its subsidiaries and associates are incorporated and operating in the Philippines, except for such foreign subsidiaries and associates as identified in the preceding table (see explanatory notes d, e, p, s, t and w in the preceeding page).

AGI's shares of stock and those of Megaworld, EMP, Travellers, GERI, EELHI and SHDI are listed in and traded through the PSE.

The principal activities of the Group are further described in Note 4.

The Company's registered office and primary place of business is located at 7^{th} Floor, 1880 Eastwood Avenue, Eastwood City CyberPark, 188 E. Rodriguez, Jr. Avenue, Bagumbayan, Quezon City.

The Board of Directors (BOD) approved on April 12, 2016, the issue of the consolidated financial statements of the Group as at and for the year ended December 31, 2015 (including the comparative financial statements as at and for the year ended December 31, 2014 and for the year ended December 31, 2013).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarized below and in the succeeding pages. The policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation of Consolidated Financial Statements

(a) Statement of Compliance with Philippine Financial Reporting Standards

The consolidated financial statements of the Group have been prepared in accordance with Philippine Financial Reporting Standards (PFRS). PFRS are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Accounting Standards Board and, approved by the Philippine Board of Accountancy.

The consolidated financial statements have been prepared using the measurement bases specified by PFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies that follow.

(b) Presentation of Consolidated Financial Statements

The consolidated financial statements are presented in accordance with Philippine Accounting Standard (PAS) 1, *Presentation of Financial Statements*. The Group presents all items of income and expenses in a single consolidated statement of comprehensive income.

The Group presents a third consolidated statement of financial position as at the beginning of the preceding period when it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items that has a material effect on the information in the consolidated statement of financial position at the beginning of the preceding period. The related notes to the third consolidated statement of financial position are not required to be disclosed.

Certain accounts in the 2014 consolidated statement of comprehensive income were reclassified to conform to the current year presentation, which did not have a material impact on the Group's consolidated financial statements.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Philippine pesos, the Company's functional and presentation currency, and all values represent absolute amounts except when otherwise indicated.

Items included in the consolidated financial statements of the Group are measured using the Company's functional currency (see Note 2.18). Functional currency is the currency of the primary economic environment in which the Company operates.

2.2 Basis of Consolidation

The Group's consolidated financial statements comprise the financial statements of the Company and its subsidiaries, as enumerated in Note 1, after the elimination of material intercompany transactions. All intercompany balances and transactions with subsidiaries, including income, expenses, dividends and unrealized profits and losses from intercompany transactions that are recognized in assets are eliminated in full. Intercompany losses that indicate impairment are recognized in the consolidated financial statements.

In addition, shares of stock of the Company acquired by any of its subsidiaries are recognized as treasury shares and these are presented as deduction in the consolidated statement of changes in equity at cost (see Note 2.14). Any changes in their market values, as recognized separately by the subsidiaries, are likewise eliminated in full. Gain or loss on the sale of these treasury shares is presented as addition to or deduction from additional paid-in capital (APIC).

The financial statements of subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting principles. Financial statements of entities in the Group that are prepared as of a date different from that of the date of these consolidated financial statements were adjusted to recognize the effects of significant transactions or events that occur between that date of their reporting period and the date of these consolidated financial statements. Adjustments are also made to bring into line any dissimilar accounting policies that may exist.

The Group accounts for its investments in subsidiaries and associates, interests in joint arrangements, and transactions with non-controlling interest as follows:

(a) Investments in Subsidiaries

Subsidiaries are entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are consolidated from the date the Group obtains control until such time that such control ceases. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of controls indicated above. Accordingly, entities are deconsolidated from the date that control ceases.

The acquisition method is applied to account for acquired subsidiaries (see Note 2.10). This requires recognizing and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group, if any. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred and subsequent change in the fair value of contingent consideration is recognized directly in profit or loss.

Identifiable assets acquired and liabilities, including contingent liabilities, assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognizes any non-controlling interest in the acquired entity, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any existing equity interest in the acquiree over the acquisition-date fair value of identifiable net assets acquired is recognized as goodwill. If the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, in the case of a bargain purchase, the difference is recognized directly as gain in profit or loss (see Note 2.10).

(b) Investments in Associates

Associates are those entities over which the Group is able to exert significant influence but not control and which are neither subsidiaries nor interests in a joint venture. Investments in associates are initially recognized at cost and subsequently accounted for using the equity method.

Acquired investment in associate is subject to the purchase method of accounting. Any goodwill or fair value adjustment attributable to the Group's share in the associate is included in the amount recognized as investment in an associate. Goodwill represents the excess of acquisition cost over the fair value of the Group's share of the identifiable net assets of the acquiree at the date of acquisition.

All subsequent changes to the ownership interest in the equity of the associates are recognized in the Group's carrying amount of the investments. Changes resulting from the profit or loss generated by the associates are credited or charged against the Share in Net Profits (Losses) of Associates and Joint Ventures account in the consolidated statement of comprehensive income. These changes include subsequent depreciation, amortization and impairment of the fair value adjustments of the associate's assets and liabilities.

Impairment loss is provided when there is objective evidence that the investment in associates will not be recovered (see Note 2.19).

Changes resulting from other comprehensive income of the associates or items that have been directly recognized in the associates' equity, for example, resulting from the associates' accounting for available-for-sale (AFS) financial assets, are recognized in other comprehensive income or equity of the Group, as applicable.

Any non-income related equity movements of the associate that arise, for example, from the distribution of dividends or other transactions with the associates' shareholders are charged against the proceeds received or granted. No effect on the Group's net result or equity is recognized in the course of these transactions. However, 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 in behalf of the associate. If the associate subsequently reports profits, the Group resumes recognizing its share of those profits only after its share of the profits exceeded the accumulated share of losses that has previously not been recognized. Distributions received from the associates are accounted for as a reduction of the carrying value of the investment.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(c) Interests in Joint Arrangements

For interest in a joint operation, the Group recognizes in its consolidated financial statements its share of the assets that it controls, the liabilities and the expenses that it incurs and its share in the income from the sale of goods or services by the joint operation. No adjustments or other consolidation procedures are required since the assets, liabilities, income and expenses of the joint operation are recognized in the separate financial statements of the operators.

For interest in a joint venture, the Group recognizes in its consolidated financial statements its interest using the equity method. Under the equity method, the interest in a joint venture is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share in the profit or loss of the joint venture after the date of acquisition. Unrealized gains arising from transactions with joint venture are eliminated to the extent of the Group's interest in joint venture against the related investment. Unrealized losses are eliminated similarly but only to the extent that there is no evidence of impairment of the asset transferred.

(d) Transactions with Non-controlling Interest

The Group's transactions with non-controlling interest that do not result in loss of control are accounted for as equity transactions – that is, as transaction with the owners of the Group in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of the net assets of the subsidiary is recognized in equity. Disposals of equity investments to non-controlling interest that result in gains and losses for the Group are also recognized in equity.

When the Group ceases to have control over a subsidiary, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

The Parent Company holds beneficial interests in various subsidiaries and associates as presented in Notes 1 and 12.

2.3 Adoption of New and Amended PFRS

(a) Effective in 2015 that are Relevant to the Group

The Group adopted for the first time the following amendment and annual improvements to PFRS, which are mandatorily effective for annual periods beginning on or after July 1, 2014, for its annual reporting period beginning January 1, 2015:

PAS 19 (Amendment)	:	Employee Benefits – Defined Benefit Plans – Employee Contributions
Annual Improvements	:	Annual Improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle)

Discussed below are the relevant information about these amendment and improvements.

(i) PAS 19 (Amendment), *Employee Benefits – Defined Benefit Plans – Employee Contributions*. The amendment clarifies that if the amount of the contributions to defined benefit plans from employees or third parties is dependent on the number of years of service, an entity shall attribute the contributions to periods of service using the same attribution method (i.e., either using the plan's contribution formula or on a straight-line basis) for the gross benefit. The amendment did not have a significant impact on the Group's consolidated financial statements since the Group's defined benefit plans do not require employees or third parties to contribute to the benefit plans.

(ii) Annual Improvements to PFRS. Annual improvements to PFRS (2010-2012 Cycle) and PFRS (2011-2013 Cycle) made minor amendments to a number of PFRS. Among those improvements, the following amendments are relevant to the Group but have no material impact on the Group's consolidated financial statements:

Annual Improvements to PFRS (2010-2012 Cycle)

- PFRS 2 (Amendment), *Share-based Payment*. The amendment clarifies the definition of "vesting condition" and "market condition" and defines "performance condition" and a "service condition."

- PFRS 3 (Amendment), *Business Combinations*. This amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation*. It also clarifies that all non-equity contingent consideration should be measured at fair value at the end of each reporting period, with changes in fair value recognized in profit or loss.

- PFRS 8 (Amendment), *Operating Segments*. This amendment requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. It further clarifies the requirement to disclose for the reconciliations of segment assets to the entity's assets if that amount is regularly provided to the chief operating decision maker.

- PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets*. The amendments clarify that when an item of property, plant and equipment and intangible assets is revalued, the gross carrying amount is adjusted in a manner that is consistent with a revaluation of the carrying amount of the asset.

- PAS 24 (Amendment), *Related Party Disclosures*. The amendment clarifies that an entity providing key management services to a reporting entity is deemed to be a related party of the latter. It also clarifies that the information required to be disclosed in the financial statements are the amounts incurred by the reporting entity for key management personnel services that are provided by a separate management entity and not the amounts of compensation paid or payable by the management entity to its employees or directors.

Annual Improvements to PFRS (2011-2013 Cycle)

- PFRS 3 (Amendment), *Business Combinations*. The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of any joint arrangement under PFRS 11, *Joint Arrangement,* in the financial statements of the joint arrangement itself.

- PFRS 13 (Amendment), *Fair Value Measurement*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis (the portfolio exception) applies to all contracts within the scope of and accounted for in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities as defined in PAS 32, *Financial Instruments: Presentation*.

- PAS 40 (Amendment), *Investment Property*. The amendment clarifies the interrelationship of PFRS 3, *Business Combinations*, and PAS 40 in determining the classification of property as an investment property or owner-occupied property, and explicitly requires an entity to use judgment in determining whether the acquisition of an investment property is an acquisition of an asset or a group of asset in accordance with PAS 40 or a business combination in accordance with PFRS 3.

(b) *Effective Subsequent to 2015 but are not Adopted Early*

There are new PFRS, amendments and annual improvements to existing standards that are effective for periods subsequent to 2015 which are adopted by the FRSC. Management will adopt the following relevant pronouncements in accordance with their transitional provisions, and, unless otherwise stated, none of these are expected to have significant impact on the Group's consolidated financial statements:

(i) PAS 1 (Amendment), *Presentation of Financial Statements – Disclosure Initiative* (effective from January 1, 2016). The amendment encourages entities to apply professional judgment in presenting and disclosing information in the financial statements. Accordingly, it clarifies that materiality applies to the whole financial statements and an entity shall not reduce the understandability of the financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions. Moreover, the amendment clarifies that an entity's share of other comprehensive income of associates and joint ventures accounted for using equity method should be presented based on whether or not such other comprehensive income item will subsequently be reclassified to profit or loss. It further clarifies that in determining the order of presenting the notes and disclosures, an entity shall consider the understandability and comparability of the financial statements.

(ii) PAS 16 (Amendment), *Property, Plant and Equipment* and PAS 38 (Amendment), *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortization* (effective from January 1, 2016). The amendment in PAS 16 clarifies that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment. In addition, amendment to PAS 38 introduces a rebuttable presumption that an amortization method that is based on the revenue generated by an activity that includes the use of an intangible asset is not appropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of an intangible asset are highly correlated. The amendment also provides guidance that the expected future reductions in the selling price of an item that was produced using the asset could indicate an expectation of technological or commercial obsolescence of an asset, which may reflect a reduction of the future economic benefits embodied in the asset.

(iii) PAS 16 (Amendment), *Property, Plant and Equipment,* and PAS 41 (Amendment), *Agriculture – Bearer Plants* (effective from January 1, 2016). The amendment defines a bearer plant as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales. On this basis, bearer plant is now included within the scope of PAS 16 rather than PAS 41, allowing such assets to be accounted for as property, plant and equipment and to be measured after initial recognition at cost or revaluation basis in accordance with PAS 16. The amendment further clarifies that produce growing on bearer plants remains within the scope of PAS 41.

(iv) PAS 27 (Amendment), *Separate Financial Statements – Equity Method in Separate Financial Statements* (effective from January 1, 2016). This amendment introduces a third option which permits an entity to account for its investments in subsidiaries, joint ventures and associates under the equity method in its separate financial statements in addition to the current options of accounting those investments at cost or in accordance with PAS 39, *Financial Instruments: Recognition and Measurement*, or PFRS 9, *Financial Instruments*. As of the end of the reporting period, the Parent Company has no plan to change the accounting policy for its investments in its subsidiaries.

(v) PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Investment Entities – Applying the Consolidation Exception* (effective from January 1, 2016). This amendment addresses the concerns that have arisen in the context of applying the consolidation exception for investment entities. This amendment permits a non-investment entity investor, when applying the equity method of accounting for an associate or joint venture that is an investment entity, to retain the fair value measurement applied by that investment entity associate or joint venture to its interests in subsidiaries.

(vi) PFRS 11 (Amendment), *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations* (effective from January 1, 2016). The amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business as defined in PFRS 3, *Business Combinations,* to apply all accounting principles and disclosure requirements on business combinations under PFRS 3 and other PFRSs, except for those principles that conflict with the guidance in PFRS 11.

(vii) PFRS 9 (2014), *Financial Instruments* (effective from January 1, 2018). This new standard on financial instruments will eventually replace PAS 39 and PFRS 9 (2009, 2010 and 2013 versions). This standard contains, among others, the following:

- three principal classification categories for financial assets based on the business model on how an entity is managing its financial instruments;

- an expected loss model in determining impairment of all financial assets that are not measured at fair value through profit or loss (FVTPL) which generally depends on whether there has been a significant increase in credit risk since initial recognition of a financial asset; and,

- a new model on hedge accounting that provides significant improvements principally by aligning hedge accounting more closely with the risk management activities undertaken by entities when hedging their financial and non-financial risk exposures.

In accordance with the financial asset classification principle of PFRS 9 (2014), a financial asset is classified and measured at amortized cost if the asset is held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows that represent solely payments of principal and interest (SPPI) on the outstanding principal. Moreover, a financial asset is classified and subsequently measured at fair value through other comprehensive income if it meets the SPPI criterion and is held in a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets. All other financial assets are measured at FVTPL.

In addition, PFRS 9 (2014) allows entities to make an irrevocable election to present subsequent changes in the fair value of an equity instrument that is not held for trading in other comprehensive income.

The accounting for embedded derivatives in host contracts that are financial assets is simplified by removing the requirement to consider whether or not they are closely related, and, in most arrangements, do not require separation from the host contract.

For liabilities, the standard retains most of the PAS 39 requirements which include amortized cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The amendment also requires changes in the fair value of an entity's own debt instruments caused by changes in its own credit quality to be recognized in other comprehensive income rather than in profit or loss.

The Group does not expect to implement and adopt PFRS 9 (2014) until its effective date. In addition, management is currently assessing the impact of PFRS 9 (2014) on the consolidated financial statements of the Group and it will conduct a comprehensive study of the potential impact of this standard prior to its mandatory adoption date to assess the impact of all changes.

(viii) PFRS 10 (Amendment), *Consolidated Financial Statements* and PAS 28 (Amendment), *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associates or Joint Venture* (effective date deferred indefinitely). The amendment to PFRS 10 requires full recognition in the investor's financial statements of gains or losses arising on the sale or contribution of assets that constitute a business as defined in PFRS 3, *Business Combinations*, between an investor and its associate or joint venture. Accordingly, the partial recognition of gains or losses (i.e., to the extent of the unrelated investor's interests in an associate or joint venture) only applies to those sale of contribution of assets that do not constitute a business. Corresponding amendment has been made to PAS 28 to reflect these changes.

In addition, PAS 28 has been amended to clarify that when determining whether assets that are sold or contributed constitute a business, an entity shall consider whether the sale or contribution of those assets is part of multiple arrangements that should be accounted for as a single transaction. In December 2015, the IASB deferred the mandatory effective date of the amendment (i.e., January 1, 2016) indefinitely.

(ix) Annual Improvements to PFRS. Annual improvements to PFRS (2012-2014 Cycle) (effective from January 1, 2016). Among those improvements, the following amendments are relevant to the Group but management does not expect a material impact on the Group's consolidated financial statements:

- PFRS 7 (Amendment), *Financial Instruments – Disclosures*. The amendment provides additional guidance to help entities identify the circumstances under which a contract to "service" financial assets is considered to be a continuing involvement in those assets for the purposes of applying the disclosure requirements of PFRS 7. Such circumstances commonly arise when, for example, the servicing is dependent on the amount or timing of cash flows collected from the transferred asset or when a fixed fee is not paid in full due to non-performance of that asset.

- PAS 19 (Amendment) *Employee Benefits*. The amendment clarifies that the currency and term of the highly quality corporate bonds which were used to determine the discount rate for post-employment benefit obligations shall be made consistent with the currency and estimated term of the post-employment benefit obligation.

2.4 Financial Assets

Financial assets are recognized when the Group becomes a party to the contractual terms of the financial instrument. For purposes of classifying financial assets, an instrument is considered as an equity instrument if it is non-derivative and meets the definition of equity for the issuer in accordance with the criteria of PAS 32, *Financial Instruments: Presentation*.

(a) Classification and Measurement of Financial Assets

Financial assets other than those designated and effective as hedging instruments are classified into the following categories: financial assets at FVTPL, loans and receivables, held-to-maturity investments and AFS financial assets. Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which the investments were acquired.

Regular purchases and sales of financial assets are recognized on their trade date. All financial assets that are not classified as at FVTPL are initially recognized at fair value plus any directly attributable transaction costs. Financial assets carried at FVTPL are initially recorded at fair value and the related transaction costs are recognized in profit or loss. A more detailed description of the categories of financial assets currently relevant to the Group is presented in the succeeding page.

(i) Financial Assets at FVTPL

This category includes financial assets that are either classified as held-for-trading or that meets certain conditions and are designated by the entity to be carried at FVTPL upon initial recognition. All derivatives fall into this category, except for those designated and effective as hedging instruments. Assets in this category are classified as current if they are either held for trading or are expected to be realized within 12 months from the end of the reporting period.

Financial assets at FVTPL are measured at fair value, and changes therein are recognized in profit or loss. Financial assets (except derivatives and financial instruments originally designated as financial assets at FVTPL) may be reclassified out of FVTPL category if they are no longer held for the purpose of being sold or repurchased in the near term.

The Group's financial assets included in this category consist mainly of investments in marketable debt and equity securities and derivative instruments.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivables. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period, which are classified as non-current assets.

The Group's financial assets categorized as loans and receivables are presented as Cash and Cash Equivalents, Trade and Other Receivables (except Advances to contractors and suppliers), Advances to associates and other related parties (included under Investments in and Advances to Associates and Other Related Parties account), Time deposits (included under Other Current Assets account) and Refundable security deposits (included under Other Non-current Assets account). Cash and cash equivalents include cash on hand, demand deposits and short-term, highly liquid investments readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment loss, if any.

(iii) AFS Financial Assets

This category includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets classification in the consolidated statement of financial position unless management intends to dispose of the investment within 12 months after the end of the reporting period.

All financial assets within this category are subsequently measured at fair value, except for equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured which are measured at cost, less impairment loss, if any. Gains and losses from changes in fair value are recognized in other comprehensive income, net of any income tax effects, and are reported as part of the Net Unrealized Gains (Losses) on Available-for-sale Financial Assets account in equity, except for interest and dividend income, impairment losses and foreign exchange differences on monetary assets, which are recognized in profit or loss.

When the financial asset is disposed of or is determined to be impaired, the cumulative fair value gains or losses recognized in Net Unrealized Gains (Losses) on Available-for-sale Financial Assets is reclassified from equity to profit or loss and is presented as reclassification adjustment within consolidated other comprehensive income even though the financial asset has not been derecognized.

(b) Impairment of Financial Assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial asset is impaired. The Group recognizes impairment loss based on the category of financial assets as follows:

(i) Carried at Amortized Cost – Loans and Receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the impairment loss is determined as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate or current effective interest rate determined under the contract if the loan has a variable interest rate.

The carrying amount of the asset shall be reduced either directly or through the use of an allowance account. The amount of loss shall be recognized in profit or loss.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed by adjusting the allowance account. The reversal shall not result in a carrying amount of the financial asset that exceeds what the amortized cost would have been had the impairment not been recognized at the date of the impairment is reversed. The amount of reversal is recognized in profit or loss.

(ii) Carried at Cost – AFS Financial Assets

If there is objective evidence of impairment for any of the unquoted equity instruments that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and required to be settled by delivery of such an unquoted equity instrument, impairment loss is recognized. The amount of impairment loss is the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

(iii) Carried at Fair Value – AFS Financial Assets

When a decline in the fair value of an AFS financial asset has been recognized in other comprehensive income and there is objective evidence that the asset is impaired, the cumulative loss – measured as the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is reclassified from Revaluation Reserves to profit or loss as a reclassification adjustment even though the financial asset has not been derecognized.

Impairment losses recognized in profit or loss on equity instruments are not reversed through profit or loss. Reversal of impairment losses are recognized in other comprehensive income, except for financial assets that are debt securities which are recognized in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognized.

(c) Items of Income and Expense Related to Financial Assets

All income and expenses, including impairment loss, relating to financial assets that are recognized in profit or loss are presented as part of Finance and Other Income and Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Non-compounding interest, dividend income and other cash flows resulting from holding financial assets are recognized in profit or loss when earned, regardless of how the related carrying amount of financial assets is measured.

(d) Derecognition of Financial Assets

The financial assets (or where applicable, a part of a financial asset or part of a group of financial assets) are derecognized when the contractual rights to receive cash flows from the financial instruments expire, or when the financial assets and all substantial risks and rewards of ownership have been transferred to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

2.5 Inventories

Inventories are valued at the lower of cost and net realizable value (NRV). Cost is determined using weighted average method, except for food, supplies and other consumables which use the first-in, first-out method. Finished goods and work-in-process include the cost of raw materials, direct labor and a proportion of manufacturing overhead (including an element of depreciation) based on normal operating capacity. The cost of raw materials include all costs directly attributable to acquisitions, such as the purchase price, import duties and other taxes that are not subsequently recoverable from taxing authorities.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. NRV of raw materials, spare parts and other operating supplies is the current replacement cost.

Real estate for sale are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction (see Note 2.16). Accounting policies for real estate development transactions are discussed in more detail in Note 2.6.

2.6 Real Estate Transactions

Acquisition costs of raw land intended for future development, including other costs and expenses incurred to effect the transfer of title of the property to the Group, are charged to the Land for Future Development account. These costs are reclassified to Property Development Costs account when the development of the property starts. Related property development costs are then accumulated in this account. Borrowing costs on certain loans, if any, incurred during the development of the real estate properties are also capitalized by the Group as part of Property Development Costs (see Note 2.16). Once a revenue transaction occurs on a per project basis, up to the stage the unit is sold, the related property development costs are reclassified to Real Estate for Sale classified under Inventories account (see Note 2.5) in the consolidated statement of financial position.

The cost of real estate property sold before completion of the development, if any, is determined based on the actual costs incurred to date plus estimated costs to complete the development of the property (see Note 24). The estimated expenditures for the development of sold real estate property, as determined by the project engineers, are presented as part of Cost of Goods Sold in the consolidated statement of comprehensive income with a corresponding credit to the liability account, Reserve for property development account under Other Liabilities account in the consolidated statement of financial position (see Note 20).

Costs of properties and projects accounted for as Land for Future Development, Property Development Costs and Real Estate for Sale are assigned using specific identification of their individual costs. These properties and projects are valued at the lower of cost and NRV.

The Group recognizes the effect of revisions in the total project cost estimates in the year in which these changes become known. Any impairment loss from a real estate project is charged to operations during the period in which the loss is determined.

2.7 Other Assets

Other assets presented either under current or non-current assets classification in the consolidated statement of financial position pertain to other resources controlled by the Group as a result of past events. They are recognized in the consolidated financial statements when it is probable that the future economic benefits will flow to the entity and the asset has a cost or value that can be measured reliably.

Where future economic benefits are expected to flow to the Group beyond one year after the end of the reporting period (or in the normal operating cycle of the business, if longer), such assets are classified as non-current assets.

2.8 Property, Plant and Equipment

Property, plant and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. As no finite useful life for land can be determined, the related carrying amount is not depreciated. Land held for use in production or administration is stated at cost less any impairment in value.

The cost of an asset comprises its purchase price and directly attributable costs of bringing the asset to working condition for its intended use, including borrowing costs (see Note 2.16) and asset retirement obligation (ARO) relating to property and equipment installed/constructed on leased properties [see Note 3.2(n)]. GADC is legally required under various lease agreements to dismantle the installations and restore the leased sites at the end of the lease term. It is also a Group's policy to remove permanent improvements or additions which contain designs and configurations inherent to GADC's business signs, trademarks, trade names, patent and other similar intellectual property rights belonging to McDonald's Corporation (McDonald's) upon the termination or expiration of lease contract. The present value of ARO is recognized as part of the balance of the related property, plant and equipment accounts, which are being depreciated on a straight-line basis over the shorter of the useful life of the related asset or the lease term. The outstanding ARO as at the end of the reporting period is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position.

Expenditures for additions, major improvements and renewals are capitalized; expenditures for repairs and maintenance are charged to expense as incurred.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and land improvements	5 to 50 years
Condominium units	10 to 25 years
Machinery and equipment	2 to 12 years
Fixtures and other equipment	3 to 10 years
Transportation equipment	3 to 10 years

Leasehold improvements are amortized over the life of the assets of 5 to 40 years or the term of the lease, whichever is shorter.

Construction in progress represents properties under construction and is stated at cost. This includes cost of construction, applicable borrowing costs (see Note 2.16) and other direct costs. The account is not depreciated until such time that the assets are completed and available for use.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 2.19).

Fully depreciated and amortized assets are retained in the accounts until they are no longer in use and no further charge for depreciation and amortization is made in respect of those assets.

The residual values, estimated useful lives and method of depreciation of property, plant and equipment are reviewed, and adjusted if appropriate, at each reporting period.

An item of property, plant and equipment, including the related accumulated depreciation, amortization and impairment losses, is derecognized upon sale or disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in profit or loss in the year the item is derecognized.

2.9 Investment Property

Properties held for lease under operating lease agreements, which comprise mainly of land, buildings and condominium units, are classified as Investment Property and are carried at cost less accumulated depreciation and any impairment in value, except for land which is not subjected to depreciation (see Note 2.19).

Cost capitalization, depreciation, impairment loss and asset derecognition are recorded in the same manner as in Property, Plant and Equipment (see Note 2.8). Depreciation of investment property (excluding land) is computed using the straight-line method over the estimated useful lives of the assets ranging from 5 to 50 years.

Transfers to, or from, investment property shall be made when and only when there is a change in use or purpose for such property.

2.10 Business Combinations

Business acquisitions are accounted for using the acquisition method of accounting. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its fair value at the date of acquisition.

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, either in profit or loss or to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the date of acquisition that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

If the business combination is achieved in stages, the acquirer is required to remeasure its previously held equity interest in the acquiree at its fair value at the date of acquisition (the date the Group attains control) and recognize the resulting gain or loss, if any, in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the date of acquisition that have previously been recognized in other comprehensive income are reclassified to profit or loss in the consolidated statement of comprehensive income, where such treatment would be appropriate if such interests were disposed of.

Gains and losses on the disposal of an interest in a subsidiary include the carrying amount of the related goodwill (see Note 2.11).

2.11 Intangible Assets

Intangible assets include goodwill, trademarks, leasehold rights and computer software. Except goodwill and some specific trademarks, all other intangible assets have finite lives and are carried at cost less accumulated amortization and any impairment in value. Goodwill and certain trademarks are not amortized, but are reviewed for impairment at least annually.

Goodwill represents the excess of the cost of investment in shares of stocks over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less any accumulated impairment losses. Any impairment loss is recognized immediately in profit or loss and is not subsequently reversed (see Note 2.19).

For the purpose of impairment testing, goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The cash-generating units or groups of cash-generating units are identified according to operating segment.

Negative goodwill which is the excess of the Group's interest in the net fair value of net identifiable assets acquired over acquisition cost is recognized directly to income. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the consolidated profit or loss on disposal.

The cost of trademarks, leasehold rights and computer software includes the acquisition price and other direct costs. Capitalized costs are amortized on a straight-line basis over the estimated useful life of 10 and 3 years, for trademarks [except specific trademarks with indefinite useful lives (see Note 15)] and computer software, respectively, and over the term of the lease for leasehold rights. Capitalized costs for trademarks with indefinite useful lives are not amortized. In addition, these assets are subject to impairment testing as described in Note 2.19. When these assets are retired or otherwise disposed of, the cost and the related accumulated amortization and any impairment in value are removed from the accounts. Any resulting gain or loss is credited to or charged against current operations.

Costs associated with maintaining computer software and any costs associated with research activities are recognized as expense in profit or loss as incurred.

2.12 Financial Liabilities

The categories of financial liabilities relevant to the Group are more fully described below.

(a) Financial Liabilities at FVTPL

Financial liabilities are classified in this category if they are held-for-trading or derivative transactions that are not accounted for as accounting hedges, or when the Group elects to designate a financial liability under this category.

The Group occasionally uses derivative financial instruments, such as foreign exchange forward contracts and interest rate swaps. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative, which are presented under the Other Assets or Other Liabilities (current and non-current) account in the consolidated statement of financial position.

The Group's derivative instruments provide economic hedges under the Group's policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

(b) Financial Liabilities at Amortized Costs

This category pertains to financial liabilities that are not held-for-trading or not designated as FVTPL upon inception of the liability. These include liabilities arising from operations or borrowings.

Financial liabilities, which include Interest-bearing Loans, Bonds Payable, Trade and Other Payables (except tax-related payables), Advances from Related Parties, Equity-linked debt securities (presented as part of Other Non-current Liabilities), Redeemable Preferred Shares and Guarantee Deposits are recognized when the Group becomes a party to the contractual agreements of the instrument.

All interest-related charges incurred on financial liabilities are recognized as an expense in profit or loss under the caption Finance Costs and Other Charges in the consolidated statement of comprehensive income.

Interest-bearing Loans, Bonds Payable and Equity-linked debt securities are raised for support of long-term funding of operations. These are recognized at proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to profit or loss on an accrual basis using the effective interest method and are added to the carrying amount of the instrument to the extent that these are not settled in the period in which they arise.

Trade and Other Payables, Advances from Related Parties and Guarantee Deposits are recognized initially at their fair values and subsequently measured at amortized cost, using effective interest method for maturities beyond one year, less settlement payments.

Redeemable Preferred Shares of GADC and TLC which are mandatorily redeemable at the option of the holder, are recognized at fair value, net of transaction costs, on inception date and presented as liability in the consolidated statement of financial position; the liability is subsequently measured at amortized cost. The corresponding accretion of the liability and the dividends paid on those shares are charged as part of Interest expense under Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Dividend distributions to shareholders are recognized as financial liabilities when the dividends are declared by the BOD.

Financial liabilities are classified as current liabilities if payment is due to be settled within one year or less after the end of the reporting period (or in the normal operating cycle of the business, if longer), or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Otherwise, these are presented as non-current liabilities.

Financial liabilities are derecognized from the consolidated statement of financial position only when the obligations are extinguished either through discharge, cancellation or expiration.

2.13 Provisions and Contingencies

Provisions are recognized when present obligations will probably lead to an outflow of economic resources and they can be estimated reliably even if the timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the end of the reporting period, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. When time value of money is material, long-term provisions are discounted to their present values using a pretax rate that reflects market assessments and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resource as a result of present obligations is considered improbable or remote, or the amount to be provided for cannot be measured reliably, no liability is recognized in the consolidated financial statements. Similarly, possible inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered contingent assets, hence, are not recognized in the consolidated financial statements. On the other hand, any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset not exceeding the amount of the related provision.

2.14 Equity

Capital stock represents the nominal value of shares that have been issued.

APIC includes any premiums received on the issuance or reissuance of capital stock. Any transaction costs associated with such issuances of shares are deducted from APIC, net of any related income tax benefits. Excess of proceeds over acquisition cost of treasury shares is also added to APIC.

Treasury shares are AGI shares reacquired by the Company but not cancelled or AGI shares held by subsidiaries for investment purposes. These are carried at cost of reacquiring such shares (see Note 2.2).

Net actuarial gains or losses on retirement benefit plan pertain to actuarial gains or losses from remeasurement of retirement benefit obligation.

Net unrealized fair value gains or losses on AFS financial assets pertains to cumulative mark-to-market valuations on such securities [see Note 2.4(a)].

Accumulated translation adjustments represent the translation adjustments resulting from the conversion of foreign currency denominated financial statements of certain subsidiaries into the Group's presentation currency (see Note 2.18).

Dilution gain or loss arises when an investor or the Group exercises its preemptive rights to maintain its ownership interest in an investee. This represents the difference between the book value per share in an investee versus the Group's offer price at the time the rights are exercised. This also includes the Group's share in previous period's profit (loss) as a result of the current increase (decrease) in equity ownership over its subsidiaries. Dilution gain or loss is recognized on investments of which the Group continues to exercise control.

Share options represent the value of share options during vesting period upon recognition of share-based remuneration expense in profit or loss [see Note 2.20(d)].

Retained earnings, the appropriated portion of which is not available for dividend declaration, represent all current and prior period results of operations as reported in the profit and loss section of the consolidated statement of comprehensive income, reduced by the amount of dividends declared.

2.15 Revenue and Expense Recognition

Revenue is recognized to the extent that the revenue can be reliably measured by reference to the fair value of consideration received or receivable by the Group; it is probable that future economic benefits will flow to the Group; and the costs incurred or to be incurred can be measured reliably. In addition, the following specific recognition criteria must also be met before revenue is recognized:

(a) *Sale of goods* – Revenue, net of rebates and trade discounts, is recognized when the risks and rewards of ownership of the goods have passed to the buyer. This is generally when the customer acknowledged delivery of goods.

(b) *Sale of residential and condominium units [included under Real Estate (RE) Sales]* – For financial reporting purposes, revenues from transactions covering sales of residential and condominium units are recognized under the percentage-of-completion method. Under this method, realization of gross profit is recognized by reference to the stage of development of the properties (i.e., revenue is recognized in the period in which the work is performed). The unrealized gross profit on a year's sales is presented as Deferred gross profit on RE sales (under Cost of Goods Sold account) in the consolidated statement of comprehensive income; the cumulative unrealized gross profit as of the end of the year is shown as Deferred income on real estate sales (under Other Current and Non-current Liabilities) in the consolidated statement of financial position.

The sale is recognized when a certain percentage of the total contract price has already been collected. If the transaction does not yet qualify as sale, the deposit method is applied until all conditions for recording the sale are met. Pending the recognition of sale, payments received from buyer are initially recorded as Customers' deposits and presented as part of Other Liabilities (current and non-current) in the consolidated statement of financial position. Revenues and costs relative to forfeited or back out sales are reversed in the current year.

For tax reporting purposes, a modified basis of computing the taxable income for the year based on collections from real estate sales is used by the Group.

(c) *Interest income on real estate sales* – considered in the determination of total revenue for real estate sales (see Note 23). It is recognized when interest accrues taking into account the underlying sale of real estate under installment method through in-house financing (not through externally financed home loans obtained by customers).

(d) *Sale of undeveloped land and golf and resort shares (included under RE Sales)* – Revenues on sale of undeveloped land and golf and resort shares for sale are recognized using the full accrual method. Under the full accrual method, revenue is recognized when the risks and rewards of ownership have passed to the buyer and the amount of revenue can be measured reliably.

(e) *Construction contracts* – Revenue is recognized when the performance of contractually agreed tasks have been substantially rendered using the cost recovery and percentage-of-completion methods. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

(f) *Gaming revenues* – Revenue is recognized from net wins from gaming activities which represent the difference between coins and currencies deposited into the gaming machines and the payments to customers and, for other games, the difference between gaming wins and losses.

(g) *Revenue from hotel operations* – Revenue from hotel operations is recognized when services are rendered. This is presented under Revenue from Rendering of Services (see Note 23).

(h) *Sales from Company-operated quick-service restaurants* – Revenue from restaurant sales operations are recognized when the services are rendered, that is, food and beverage products or promotional items purchased by customers have been delivered and accepted by the customers.

(i) *Franchise revenues* – Revenue from franchised McDonald's restaurants (including the restaurant operated by a joint venture) includes continuing rental, royalty and management fees. These are recognized in the period earned.

(j) *Rentals* – Rental income is recognized on a straight-line basis over the duration of the lease terms. For tax purposes, rental income is recognized based on the contractual terms of the lease. Advance rentals and refundable rental deposits, if any, are recorded as deferred rental. Deferred rental, specifically the refundable rental deposit, is measured at amortized cost using the effective interest rate method.

(k) *Interest* – Revenue is recognized as the interest accrues taking into account the effective yield on the asset.

(l) *Dividends* – Revenue is recognized when the right to receive the payment is established.

Revenue and expenses are recognized excluding the amount of value-added tax (VAT).

The Group provides a membership card for its gaming patrons (i.e., of Travellers). Members earn points on gaming activity and such points are redeemable for complimentary goods and services such as room accommodations, food, beverages and others. Members may also earn special coupons or awards as determined during marketing promotions. The Group records revenue for the original transaction and a provision (and a corresponding recognition of promotional allowances in profit or loss) for the value of the points earned by members by reference to the relative fair values of the complimentary goods or services.

Costs of residential and condominium units sold before completion of the projects include the acquisition cost of the land, development costs incurred to date, applicable borrowing costs (see Note 2.16) and estimated costs to complete the project, determined based on estimates made by the project engineers (see Note 2.6).

Cost and expenses (other than cost of real estate sales) are recognized in profit or loss upon utilization of the services or receipt of the goods or at the date they are incurred.

All finance costs are reported in profit or loss on an accrual basis, except capitalized borrowing costs which are included as part of the cost of the related qualifying asset (see Note 2.16).

2.16 Borrowing Costs

Borrowing costs are recognized as expenses in the period in which they are incurred, except to the extent that they are capitalized. Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that takes a substantial period of time to get ready for its intended use or sale) are capitalized as part of the cost of such asset. The capitalization of borrowing costs commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when substantially all such activities are complete.

2.17 Leases

The Group accounts for its leases as follows:

(a) Group as Lessee

Leases which transfer to the Group substantially all risks and benefits incidental to ownership of the leased item are classified as finance leases and are recognized as assets and liabilities in the consolidated statement of financial position at amounts equal to the fair value of the leased property at the inception of the lease or, if lower, at the present value of minimum lease payments. Lease payments are apportioned between the finance costs and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance costs are recognized in profit or loss. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments (net of any incentive received from the lessor) are recognized as expense in profit or loss on a straight-line basis over the lease term. Associated costs, such as repairs and maintenance and insurance, are expensed as incurred.

(b) Group as Lessor

Leases wherein the Group substantially transfers to the lessee all risks and benefits incidental to ownership of the leased item are classified as finance leases and are presented as receivable at an amount equal to the Group's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Group's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group determines whether an arrangement is, or contains, a lease based on the substance of the arrangement. It makes 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.

2.18 Foreign Currency Transactions and Translation

(a) Transactions and Balances

Foreign currency transactions during the period are translated into the functional currency at exchange rates which approximate those prevailing on transaction dates.

Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the consolidated statement of comprehensive income.

(b) Translation of Financial Statements of Foreign Subsidiaries

The operating results and financial position of foreign subsidiaries (see Note 1) which are measured using the United States (U.S.) dollars, British pound sterling and European Union euro, their functional currencies, are translated to Philippine pesos, the Company's functional currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the reporting period;

(ii) Income and expenses for each profit or loss account are translated at the average exchange rates over the reporting period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and,

(iii) All resulting exchange differences are recognized in other comprehensive income and in a separate component of equity under Accumulated Translation Adjustments account.

When a foreign operation is partially disposed of or sold, such exchange differences are recognized in the consolidated statement of comprehensive income as part of the gain or loss on sale.

The translation of the financial statements into Philippine peso should not be construed as a representation that the foreign currency amounts could be converted into Philippine peso amounts at the translation rates or at any other rates of exchange.

2.19 Impairment of Non-financial Assets

The Group's Investments in Associates and Joint Ventures, Intangible Assets, Investment Property, Property, Plant and Equipment and other non-financial assets are subject to impairment testing. Intangible assets with an infinite useful life or those not yet available for use are tested for impairment at least annually. All other individual assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, assets are tested for impairment either individually or at the cash-generating unit level.

Impairment loss is recognized for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amounts which is the higher of its fair value less costs to sell and its value in use. In determining value in use, management estimates the expected future cash flows from each cash-generating unit and determines the suitable interest rate in order to calculate the present value of those cash flows.

All assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist and the carrying amount of the asset is adjusted to the recoverable amount resulting in the reversal of the impairment loss.

2.20 Employee Benefits

The Group provides post-employment benefits to employees through a defined benefit plan, as well as a defined contribution plan, and other employee benefits which are recognized as follows:

(a) Post-employment Benefit Plan

A defined benefit plan is a post-employment plan that defines an amount of post-employment benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary. The legal obligation for any benefits from this kind of post-employment plan remains with the Group, even if plan assets for funding the defined benefit plan have been acquired. Plan assets may include assets specifically designated to a long-term benefit fund, as well as qualifying insurance policies. The Group's post-employment defined benefit pension plans cover all regular full-time employees. The respective pension plans are tax-qualified, noncontributory and administered by respective trustees of three significant subsidiaries.

The liability recognized in the consolidated statement of financial position for a defined benefit plan is the present value of the defined benefit obligation (DBO) at the end of the reporting period less the fair value of plan assets. The DBO is calculated annually by independent actuaries using the projected unit credit method. The present value of the DBO is determined by discounting the estimated future cash outflows using a discount rate derived from the interest rates of a zero coupon government bonds as published by Philippine Dealing and Exchange Corporation, that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related post-employment liability.

Remeasurements, comprising of actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions and the return on plan assets (excluding amount included in net interest) are reflected immediately in the consolidated statement of financial position with a charge or credit recognized in consolidated other comprehensive income in the period in which they arise. Net interest is calculated by applying the discount rate at the beginning of the period, taking account of any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest is reported as part of Finance and Other Income or Finance Costs and Other Charges account in the consolidated statement of comprehensive income.

Past-service costs are recognized immediately in profit or loss in the period of a plan amendment or curtailment.

(b) *Post-employment Contribution Plan*

A defined contribution plan is a post-employment plan under which the Group pays fixed contributions into an independent entity (i.e., Social Security System). The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. The contributions recognized in respect of defined contribution plans are expensed as they fall due. Liabilities and assets may be recognized if underpayment or prepayment has occurred and are included in current liabilities or current assets as they are normally of a short term nature.

(c) *Termination Benefits*

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognizes termination benefits when it is demonstrably committed to either: (i) terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or (ii) providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(d) *Share-based Employee Remuneration*

The Group grants share options to key executive officers and employees eligible under each share option plan of the Parent Company, Megaworld, GERI and EMP. The services received in exchange for the grant, and the corresponding share options, are valued by reference to the fair value of the equity instruments granted at grant date. This fair value excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions), if any. The share-based remuneration is recognized as an expense in profit or loss and the corresponding share option is recorded in the equity section of the consolidated statement of financial position.

The expense is recognized during the vesting period based on the best available estimate of the number of share options expected to vest. The estimate is subsequently revised, if necessary, such that it equals the number that ultimately vested on vesting date. No subsequent adjustment is made to expense after vesting date, even if share options are ultimately not exercised.

Upon exercise of share option, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to capital stock with any excess being recorded as APIC, and the cost of the share option under Share Options account is reclassified to APIC.

(e) *Bonus Plans*

The Group recognizes a liability and an expense for bonuses, based on a formula that takes into consideration the Group's profits after certain adjustments. The Group recognizes a provision where it is contractually obliged to pay the benefits, or where there is a past practice that has created a constructive obligation.

(f) *Compensated Absences*

Compensated absences are recognized for the number of paid leave days (including holiday entitlement) remaining at the end of the reporting period. They are included in Trade and Other Payables account in the consolidated statement of financial position at the undiscounted amount that the Group expects to pay as a result of the unused entitlement.

2.21 Income Taxes

Tax expense recognized in profit or loss comprises the sum of deferred tax and current tax not recognized in other comprehensive income or directly in equity, if any.

Current tax assets or liabilities comprise those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at the end of the reporting period. They are calculated using the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in profit or loss.

Deferred tax is accounted for using the liability method, on temporary differences at the end of the reporting period between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes. Under the liability method, with certain exceptions, deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences and the carryforward of unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will be available to allow such deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled provided such tax rates have been enacted or substantively enacted at the end of the reporting period.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

Most changes in deferred tax assets or liabilities are recognized as a component of tax expense in consolidated profit or loss. Only changes in deferred tax assets or liabilities that relate to items recognized in other comprehensive income or directly in equity are recognized in other comprehensive income or directly in equity, respectively.

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

2.22 Earnings per Share

Basic earnings per share (EPS) is computed by dividing net profit attributable to equity holders of the parent company by the weighted average number of shares issued and outstanding, adjusted retroactively for any stock dividend, stock split or reverse stock split declared during the current period.

Diluted EPS is computed by adjusting the weighted average number of ordinary shares outstanding to assume conversion of dilutive potential shares (e.g. vested share options – see Note 21.5).

2.23 Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Group's Strategic Steering Committee (SSC); its chief operating decision-maker. The SSC is responsible for allocating resources and assessing performance of the operating segments.

In identifying its operating segments, management generally considers the Group's major subsidiaries, as disclosed in Note 4, which represent the main products and services provided by the Group and the line of business in which the Group operates.

Each of these operating segments, which represent the major subsidiaries within the Group, is managed separately by each respective officers and management. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group uses for segment reporting under PFRS 8, *Operating Segments,* are the same as those used in its financial statements. However, corporate assets which are not directly attributable to the business activities of any operating segment are not allocated to any segment.

There have been no changes from prior periods in the measurement methods used to determine reported segment profit or loss.

2.24 Related Party Transactions and Relationships

Related party transactions are transfers of resources, services or obligations between the Group and its related parties, regardless whether a price is charged.

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. These parties include: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Company; (b) associates; (c) individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Group and close members of the family of any such individual; and, (d) certain funded retirement plans, administered by trustee banks, of three significant subsidiaries.

In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely on the legal form.

2.25 Events After the End of the Reporting Period

Any post-year-end event that provides additional information about the Group's consolidated financial position at the end of the reporting period (adjusting event) is reflected in the consolidated financial statements. Post-year-end events that are not adjusting events, if any, are disclosed when material to the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements in accordance with PFRS requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and related notes. Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may ultimately differ from these estimates.

3.1 Critical Management Judgments in Applying Accounting Policies

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

(a) Assessing Impairment of AFS Financial Assets

The determination when an investment is other-than-temporarily impaired requires significant judgment. In making this judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

(b) Distinguishing Investment Properties, Owner-Occupied Properties and Land for Future Development

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property generates cash flows largely independent of the other assets held by an entity. Investment property comprise of properties held to earn rental or for capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process while Land for Future Development are properties intended solely for future development. The Group considers each property separately in making its judgment.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the Group's main line of business or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the Group's main line of business or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgment.

(c) Distinguishing Residential and Condominium Units for Sale and Investment Properties

Residential and condominium units comprise properties that are held for sale in the ordinary course of business. Meanwhile, investment properties comprise of land and buildings which are not occupied substantially for use by, or in the operations of, the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. The Group considers management's intention over these assets in making its judgement.

(d) *Distinguishing AFS Financial Assets and Golf and Resort Shares*

In determining whether golf and resort shares shall be accounted for as either inventories or financial instruments, the Group considers its role in the development of the club and its intent for holding these shares. The Group classifies such shares as inventories when the Group acts as the developer and it intends to sell a developed property together with the club share.

(e) *Determining Control, Joint Control or Significant Influence*

Judgment is exercised in determining whether the Group has control, joint control or significant influence over an entity. In assessing each interest over an entity, the Group considers voting rights, representation on the board of directors or equivalent governing body of the investee, participation in policy-making process and all other facts and circumstances, including terms of any contractual arrangement.

(f) *Distinguishing Asset Acquisition and Business Combinations*

The Group acquires entities that own real estate properties. At the time of acquisition, Group considers whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made with regard to the extent to which significant processes are acquired and, in particular, the extent of ancillary services provided by the Group (e.g., maintenance, cleaning, security, bookkeeping, hotel services, etc.). The significance of any process is judged with reference to the guidance |in PAS 40, *Investment Property,* on ancillary services.

In 2015 and 2014, the Group gained control over various entities as described in Note 1. Based on management's assessment, the acquisition of MBPI in 2015 was accounted for as an asset acquisition; hence, no goodwill or gain on acquisition was recognized. MBPI is engaged in the same line of business as Megaworld. All other acquisitions in 2015 and 2014 were accounted for as business combinations.

(g) *Distinguishing Operating and Finance Leases*

The Group has entered into various lease agreements. Critical judgment was exercised by management to distinguish each lease agreement as either an operating or a finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. Failure to make the right judgment will result in either overstatement or understatement of assets and liabilities.

(h) *Classifying Preferred Shares as Financial Liability*

The Group determines the classification of preferred shares based on the substance of the contractual agreement and the characteristics of a financial liability or an equity instrument (see Note 19).

(i) *Recognizing Provisions and Contingencies*

Judgment is exercised by management to distinguish between provisions and contingencies. Policies on recognition of provisions and contingencies are discussed in Note 2.13 and disclosures on relevant provisions and contingencies are presented in Note 30.

3.2 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period:

(a) *Revenue Recognition Using the Per***ce***ntage-of-Completion Method*

The Group uses the percentage-of-completion method in accounting for its realized gross profit on real estate sales. The use of the percentage-of-completion method requires the Group to estimate the portion completed using relevant information such as costs incurred to date as a proportion of the total budgeted cost of the project and estimates by engineers and other experts [see Note 2.15(b)]. Should the proportion of the percentage of completed projects differ by 5% from management's estimates, the effect on the amount of revenue recognized is not significant.

There were no changes in the assumptions or basis for estimation during the year. The realized gross profit on real estate sales recognized in 2015, 2014 and 2013 is disclosed in Note 23.

(b) *Impairment of Trade and Other Receivables*

Adequate amount of allowance for impairment is provided for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates the amount of allowance for impairment based on available facts and circumstances affecting the collectibility of the accounts, including, but not limited to, the length of the Group's relationship with the customers, the customers' current credit status, average age of accounts, collection experience and historical loss experience. The methodology and assumptions used in estimating future cash flows are reviewed regularly by the Group to reduce any differences between loss estimates and actual loss experience.

The carrying value of trade and other receivables and the analysis of allowance for impairment on such financial assets are shown in Note 6.

(c) *Valuation of Inventories and Real Estate Properties*

In determining the net realizable values of inventories and real estate properties, management takes into account the most reliable evidence available at the dates the estimates are made. Net realizable value is one of the key variables used in analyzing property development costs, residential and condominium units for sale, golf and resort shares for sale and land for future development for possible impairment. The Group's core business is subject to changes in market factors that directly affect the demand for inventories and real estate properties such as purchasing power of consumers, degree of competition, and other market-related factors. Future realization of the carrying amounts of these assets is also affected by price changes in the costs incurred necessary to make a sale. Changes in the sources of estimation may cause significant adjustments to the Group's inventories and real estate properties within the next financial reporting period.

The amounts of allowance for inventory obsolescence made by management are based on, among others, age and status of inventories and the Group's past experience. The net realizable value of inventories and an analysis of allowance for inventory write-down are presented in Note 8.

Considering the Group's pricing policy, the net realizable values of certain real estate properties are higher than their related costs.

(d) *Fair Valuation of Financial Assets Other than Trade and Other Receivables*

The Group carries certain financial assets at fair value, which requires the extensive use of accounting estimates and judgment. Significant components of fair value measurement are determined using verifiable objective evidence such as foreign exchange rates, interest rates and volatility rates. However, the amount of changes in fair value would differ if the Group utilized different valuation methods and assumptions. Any change in fair value of these financial assets and liabilities would affect profit and loss and other comprehensive income.

Management estimates the fair value of financial instruments where active market quotes are not available based on market inputs, using observable data that market participants would use in pricing the instrument. Where such data is not observable, management uses its best estimate. Estimated fair values of financial instruments may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

The carrying amounts of financial assets at FVTPL and AFS financial assets are disclosed in Notes 7 and 11, respectively.

(e) *Fair Valuation of Investment Properties*

Investment properties are measured using the cost model. The fair value disclosed in Note 14 to the consolidated financial statements were estimated either by: (i) using the fair value of similar properties in the same location and condition; or, (ii) using the discounted cash flows valuation technique since the information on current or recent prices of certain investment property is not available. The Group uses assumptions that are mainly based on market conditions existing at each reporting period, such as: the receipt of contractual rentals; expected future market rentals; void periods; maintenance requirements; and appropriate discount rates. These valuations are regularly compared to actual market yield data and actual transactions by the Group and those reported by the market. The expected future market rentals are determined on the basis of current market rentals for similar properties in the same location and condition.

(f) *Determining Realizable Amount of Deferred Tax Assets*

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. The carrying values of recognized and unrecognized deferred tax assets as of December 31, 2015 and 2014 are disclosed in Note 28.1.

(g) Fair Valuation of Share Options

The Group estimates the fair value of the Executive Share Option (the Options) by applying an option valuation model, considering the terms and conditions on which the executive share option were granted. The estimates and assumptions used are presented in Note 21.5 which include, among other things, the option's time of expiration, applicable risk-free interest rate, expected dividend yield, volatility of the share price (i.e., the Parent Company, Megaworld, GERI and EMP) and fair value of the specific common shares. Changes in these factors can affect the fair value of share options at grant date.

The fair value of the Options recognized as part of Salaries and employee benefits is shown under Other Operating Expenses account in the consolidated statement of comprehensive income (see Note 25). A corresponding credit to Share Options Outstanding for options related to the Group is presented in the equity portion of the consolidated statement of financial position (see Note 21.5).

(h) Estimating Useful Lives of Property, Plant and Equipment, Investment Property and Intangible Assets

The Group estimates the useful lives of property, plant and equipment, investment property and intangible assets with finite lives based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment, investment property and intangible 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.

Specific trademarks mentioned in Note 15 were assessed to have an indefinite useful lives considering that there is no foreseeable limit to the period over which such trademarks are expected to generate cash inflows for the Group (i.e., trademarks for The Dalmore and Jura have been in existence for more than 100 years. Moreover, there are no legal or similar limits imposed on the period over which the Group has control or can use the said trademarks.

The carrying amounts of property, plant and equipment, investment property and intangible assets are analyzed in Notes 13, 14 and 15, respectively. Actual results, however, may vary due to changes in factors mentioned above.

Based on management assessment, no change in the estimated useful lives of property, plant and equipment, investment property and intangible assets is necessary in 2015 and 2014.

(i) Impairment of Non-financial Assets

Goodwill is reviewed annually for impairment. An impairment review on all other non-financial assets is performed when certain impairment indicators are present. The Group's policy on estimating the impairment of non-financial assets is discussed in detail in Note 2.19. Though management believes that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse effect on the results of operations.

Impairment loss recognized on Property, Plant and Equipment is discussed in Note 13. There is no impairment loss recognized on the Group's investment properties, intangible assets and other non-financial assets based on management's evaluation for the years ended December 31, 2015, 2014 and 2013.

(j) Determining Realizable Amount of Deferred Tax Assets

The Group reviews its deferred tax assets at the end of each reporting period and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. An analysis of the carrying amount of deferred tax assets, which management assessed to be fully utilizable in the coming years, is presented in Note 28.1.

(k) Valuation of Post-employment Defined Benefit Obligation

The determination of the Group's obligation and cost of post-employment defined benefit is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include, among others, discount rates, salary rate increase, and employee turnover rate. A significant change in any of these actuarial assumptions may generally affect the recognized expense and the carrying amount of the post-employment benefit obligation in the next reporting period.

The amounts of post-employment benefit obligation and expense and an analysis of the movements in the estimated present value of post-employment benefit, as well as the significant assumptions used in estimating such obligation are presented in Note 27.2.

(l) Determining Fair Value of Gaming Points and Estimation of Liability for Unredeemed Gaming Points

The Group provides gaming points to its patrons based on gaming activity. Gaming points are redeemable in a wide selection of redemption categories. The Group recognizes the fair values of gaming points, based on redemption terms, historical redemption pattern of patrons and fair value of promotional activities per source (i.e., hotel, food and beverage, and others). The Group reassesses the measurement basis used for calculating the fair value of gaming points on a regular basis. The carrying value of the gaming points accrued by the Group is presented as Unredeemed gaming points under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

(m) Recognizing Liability and Equity Components of Compound Financial instruments

Equity-linked debt securities (ELS) instrument contains both a liability and an equity component as this instrument creates a financial liability and grants an option to the holder to convert it into an equity instrument of the issuer. The equity component is assigned the residual value after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

The Group determined the carrying amount of the liability component by measuring the fair value of similar liabilities that do not have an associated equity component. Consequently, after deducting the fair value of the financial liability from the fair value of the compound financial instrument as a whole, it was determined that the equity component of the ELS has no value; hence, no equity component was recognized in the consolidated financial statements. The carrying amount of the ELS is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(n) Provision for Restoration of Leased Property

Property, plant and equipment includes the estimated cost of dismantling and restoring leased properties (building and leasehold improvements) to their original condition for which the Group is liable (see Note 2.8). The estimated cost was initially based on a recent cost to dismantle facilities. This was adjusted to consider estimated incremental annual cost up to the end of the lease term. The estimated dismantling cost was discounted using the prevailing market rate at the inception of the lease for an instrument with maturity similar to the term of the lease.

The carrying amount of ARO and provision for dilapidation are presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(o) Provision for Onerous Lease

The Group determines the provision for leasehold properties which are no longer used in the business for which the recoverable amount of the interest in the property is expected to be insufficient to cover future obligations relating to the lease using discounted cash flows and assumptions relating to future sublet income expectations. A significant change in the credit-adjusted risk-free rate used in discounting the estimated cost and sublet assumptions would result in a significant change in the amount of provision recognized with a corresponding effect on profit or loss.

The carrying amount of provision for onerous lease is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20).

(p) Business Combinations

On initial recognition, the assets and liabilities of the acquired business and the consideration paid for them are included in the consolidated financial statements at their fair values. In measuring fair value, management uses estimates of future cash flows and discount rates. Any subsequent change in these estimates would affect the amount of goodwill if the change qualifies as a measurement period adjustment. Any other change would be recognized in consolidated profit or loss in the subsequent period.

4. SEGMENT INFORMATION

4.1 Business Segments

The Group is organized into major business segments, which are the major subsidiaries of the Group. These represent the main products and services provided by the Group and the line of business in which the Group operates (see Note 2.23). Presented below is the basis of the Group in reporting its primary segment information.

(a) The *Megaworld* segment consists of development of real estate, integrated resorts, leasing of properties and hotel operations business which is primarily undertaken by Megaworld Corporation and subsidiaries, the Group's forerunner in the real estate industry. In 2014, the *GERI* segment was consolidated in this segment as part of the Group's plan to align all its real estate business and to capture the growth in the tourism sector through GERI.

(b) The *Travellers* segment relates to tourism-oriented business that integrates entertainment, hospitality and leisure, including gaming, as that of Resorts World Manila, which is operated by Travellers International Hotel Group, Inc. and subsidiaries.

(c) The *GADC* segment refers to operations of McDonald's restaurants in the Philippines in accordance with the franchise agreement between GADC and McDonald's Corporation, USA.

(d) The *Emperador* segment refers to the manufacture and distribution of distilled spirits, including the production of glass containers, which is undertaken by Emperador Inc. and subsidiaries.

(e) The *GERI* segment relates to development of integrated tourism estates, leisure-related properties and mixed used towers which is primarily undertaken by Global Estate Resorts, Inc. and subsidiaries. This segment is consolidated with *Megaworld* segment in 2014; hence, *GERI* is no longer presented as a separate business segment beginning 2014.

4.2 Segment Assets and Liabilities

Segment assets are allocated based on their physical location and use or direct association with a specific segment and they include all operating assets used by a segment and consist principally of operating cash and cash equivalents, trade and other receivables, inventories, property, plant and equipment, intangible assets and investment properties. Segment liabilities include all operating liabilities and consist principally of trade and other payables, interest-bearing loans and bonds payable.

4.3 Intersegment Transactions

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

4.4 Analysis of Segment Information

Segment information can be analyzed as follows for the years ended December 31, 2015, 2014 and 2013:

	2015				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 43,106,965,673	P 27,719,688,907	P 20,339,823,705	P 43,309,839,802	P134,476,318,087
Intersegment sales	93,909,127	(32,929,706)	-	-	60,979,421
Finance and other revenues	1,791,188,160	116,287,960	81,529,137	350,349,040	2,339,354,297
Segment revenues	44,992,062,960	27,803,047,161	20,421,352,842	43,660,188,842	136,876,651,805
Cost of sales and expenses excluding depreciation and amortization	(27,039,717,335)	(21,557,822,114)	(18,064,249,651)	(34,027,719,502)	(100,689,508,602)
	17,952,345,625	6,245,225,047	2,357,103,191	9,632,469,340	36,187,143,203
Depreciation and amortization	(1,348,751,764)	(1,402,874,562)	(1,046,140,030)	(639,514,403)	(4,437,280,759)
Finance cost and other charges	(2,722,669,407)	(775,371,564)	(184,499,714)	(543,116,587)	(4,225,657,272)
Profit before tax	13,880,924,454	4,066,978,921	1,126,463,447	8,449,838,350	27,524,205,172
Tax expense	(3,284,678,495)	(49,370,190)	(365,972,332)	(1,489,782,064)	(5,189,803,081)
SEGMENT PROFIT	P 10,596,245,959	P 4,017,608,731	P 760,491,115	P 6,960,056,286	P 22,334,402,091
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 252,105,958,522	P 68,119,691,610	P 13,829,633,657	P 96,600,733,758	P 430,656,017,547
Segment liabilities	104,018,432,250	25,103,384,020	8,939,177,060	41,249,488,480	179,310,481,810

(Amounts in Philippine Pesos)

	2014				
	Megaworld	Travellers	GADC	Emperador	Total
REVENUES					
Sales to external customers	P 38,037,325,483	P 31,557,796,008	P 18,416,598,616	P 31,461,270,278	P 119,472,990,385
Intersegment sales	12,213,404,741	40,887,560	-	-	12,254,292,301
Finance and other revenues	2,778,519,577	114,569,512	331,435,577	489,170,118	3,713,694,784
Segment revenues	53,029,249,801	31,713,253,080	18,748,034,193	31,950,440,396	135,440,977,470
Cost of sales and expenses excluding depreciation and amortization	(25,452,945,290)	(23,568,121,238)	(16,541,609,442)	(23,316,371,477)	(88,879,047,447)
	27,576,304,511	8,145,131,842	2,206,424,751	8,634,068,919	46,561,930,023
Depreciation and amortization	(1,300.385,226)	(1,516,728,535)	(919,497,248)	(404,805,804)	(4,141,416,813
Finance cost and other charges	(1,591,978,535)	(1,026,706,225)	(178,478,645)	(102,935,717)	(2,900,099,122)
Profit before tax	24,683,940,750	5,601,697,082	1,108,448,858	8,126,327,398	39,520,414,088
Tax expense	(3,120,330,226)	(75,568,162)	(310,494,049)	(1,904,172,008)	(5,410,564,445)
SEGMENT PROFIT	P 21,563,610,524	P 5,526,128,920	P 797,954,809	P 6,222,155,390	P 34,109,849,643
SEGMENT ASSETS AND LIABILITIES					
Segment assets	P 222,696,668,271	P 62,704,306,464	P 12,260,171,563	P 96,183,811,446	P 393,844,957,744
Segment liabilities	80,666,774,428	23,106,167,980	7,980,931,664	44,775,107,154	156,528,981,226

	2013					
	Megaworld	Travellers	GADC	Emperador	GERI	Total
REVENUES						
Sales to external customers	P 32,653,375,912	P 33,381,657,306	P15,810,204,165	P28,780,897,351	P1,596,411,020	P 112,222,545,754
Intersegment sales	230,471,593	-	-	-	-	230,471,593
Finance and other revenues	2,464,375,443	(468,166,961)	166,496,688	1,083,847,491	162,304,229	3,408,856,890
Segment revenues	35,348,222,948	32,913,490,345	15,976,700,853	29,864,744,842	1,758,715,249	115,861,874,237
Cost of sales and expenses excluding depreciation and amortization	(21,825,015,956)	(26,630,377,258)	(13,828,636,701)	(21,263,217,401)	(1,134,896,150)	(84,682,143,466)
	13,523,206,992	6,283,113,087	2,148,064,152	8,601,527,441	623,819,099	31,179,730,771
Depreciation and amortization	(956,774,624)	(2,100,495,592)	(758,029,439)	(417,026,367)	(49,185,167)	(4,281,511,189)
Finance cost and other charges	(1,378,661,171)	(1,342,812,133)	(157,527,053)	(263,092,696)	(107,055,577)	(3,249,148,630)
Profit before tax	11,187,771,197	2,839,805,362	1,232,507,660	7,921,408,378	467,578,355	23,649,070,952
Tax expense	(2,571,452,012)	(66,665,186)	(444,026,455)	(2,074,293,503)	(112,364,600)	(5,268,801,756)
SEGMENT PROFIT	P 8,616,319,185	P 2,773,140,176	P 788,481,205	P 5,847,114,875	P 355,213,755	P 18,380,269,196
SEGMENT ASSETS AND LIABILITIES						
Segment assets	P 169,461,257,482	P 60,758,944,954	P 13,202,719,956	P 35,201,294,060	P31,238,285,371	P 309,862,501,823
Segment liabilities	68,494,968,424	26,448,067,054	7,983,040,586	3,187,496,148	7,566,385,608	113,679,957,820

4.5 Reconciliations

Presented below is a reconciliation of the Group's segment information to the key financial information presented in its consolidated financial statements.

		2015		2014		2013
Revenues						
Total segment revenues	**P**	**136,876,651,805**	P	135,509,985,632	P	115,861,874,237
Unallocated corporate revenue		**2,282,187,154**		2,149,466,443		7,747,923,359
Elimination of intersegment revenues	**(**	**60,979,421)**	(	12,254,292,301)	(	230,471,593)
Revenues as reported in consolidated profit or loss	**P**	**139,097,859,538**	P	125,405,159,774	P	123,379,326,003
Profit or loss						
Segment operating profit	**P**	**22,334,402,091**	P	34,109,849,643	P	18,380,269,196
Unallocated corporate profit (loss)	**(**	**587,121,776)**	(	745,868,213)		4,905,682,283
Elimination of intersegment revenues	**(**	**60,979,421)**	(	12,254,292,301)	(	230,471,593)
Profit as reported in consolidated profit or loss	**P**	**21,686,300,894**	P	21,109,689,129	P	23,055,479,886
Assets						
Segment assets	**P**	**430,656,017,547**	P	393,844,957,744	P	309,862,501,823
Unallocated corporate assets		**18,068,736,840**		15,773,966,350		22,537,907,703
Total assets reported in the consolidated statements of financial position	**P**	**448,724,754,387**	P	409,618,924,094	P	332,400,409,526
Liabilities						
Segment liabilities	**P**	**179,310,481,810**	P	156,528,981,226	P	113,679,957,820
Unallocated corporate liabilities		**38,226,078,586**		35,606,526,996		28,498,806,074
Total liabilities reported in the consolidated statements of financial position	**P**	**217,536,560,396**	P	192,135,508,222	P	142,178,763,894

Intersegment revenues in 2014 include P12.2 billion gain recognized by Megaworld upon its sale of Travellers' common shares to the Parent Company.

Concentration of revenue is considered when at least 10% of total segment revenue is generated from a single customer. There is no concentration of the Group's revenue in a single customer as the 10% threshold has not been met in any of the years presented.

5. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are broken down as follows:

	Note		2015		2014
Cash on hand and in banks		**P**	**32,398,766,521**	P	36,443,189,515
Short-term placements	30.3(a)		**36,195,192,506**		45,615,647,132
		P	**68,593,959,027**	P	82,058,836,647

Cash in banks generally earn interest at rates based on daily bank deposit rates [see Notes 26 and 31.1(b)].

Short-term placements are made for varying periods up to 90 days and earn effective interest per annum ranging from 1.2% to 2.8% in 2015, 1.1% to 4.0% in 2014 and 0.5% to 4.9% in 2013. Placements amounting to P114.7 million and P113.5 million as at December 31, 2015 and 2014, respectively, which earns effective interest of 1.3% in 2015 and 2014, and 3.5% in 2013 and have a term of 360 days, for both years, are shown under Other Current Assets account in the consolidated statements of financial position (see Note 9).

(Amounts in Philippine Pesos)

6. TRADE AND OTHER RECEIVABLES

Trade and other receivables consist of:

	Notes	2015	2014
Current:			
Trade receivables	17(j, t), 29.3	P 37,555,371,270	P 32,445,573,616
Advances to contractors and suppliers		10,708,984,576	7,860,189,579
Due from employees and related parties	29.8	273,130,005	1,833,035,771
Accrued interest receivable		207,618,669	325,553,619
Others	30.4	943,166,939	957,646,299
		49,688,271,459	43,421,998,884
Allowance for impairment		(714,013,578)	(713,713,388)
		48,974,257,881	42,708,285,496
Non-current:			
Trade receivables	29.3	32,812,624,224	28,921,208,725
Others		15,337,534	5,571,232
		32,827,961,758	28,926,779,957
Allowance for impairment		(12,224,936)	(12,224,936)
		32,815,736,822	28,914,555,021
		P 81,789,994,703	P 71,622,840,517

Most receivables from trade customers, particularly those relating to real estate sales, are covered by postdated checks. In 2015 and 2014, certain trade receivables amounting to P69.0 million and P136.5 million, respectively, have been discounted on a with-recourse basis to a local bank to partially cover a bank loan with outstanding balance of P69.0 million and P136.5 million, respectively [see Note 17(t)]. Further, additional portion of certain trade receivables were assigned on a with-recourse basis with certain local banks to cover the loan with outstanding balance of P997.4 million and P1,304.7 million as at December 31, 2015 and 2014, respectively [see Note 17(j)].

The installment period of real estate sales contracts averages from one to five years. These trade receivables are noninterest-bearing and are remeasured at amortized cost using the effective interest rate of 10%. Interest income from amortization amounted to P1,677.6 million, P1,671.1 million and P1,537.1 million for the years ended December 31, 2015, 2014 and 2013, respectively. These amounts are presented as Interest income on real estate sales under Revenue from Sale of Goods account in the consolidated statements of comprehensive income (see Note 23).

Advances to contractors and suppliers pertain to noninterest-bearing and unsecured advances to the Group's contractors and suppliers as initial payment or mobilization funds for services to be rendered and goods to be delivered to the Group. These are reduced proportionately upon receipt of progress billings from said suppliers.

Due from employees and related parties pertain to noninterest-bearing, unsecured and immediately demandable advances, settlement of which is generally made in cash, or through deduction from employees' salary or employees' liquidation of business related expenses (see Note 29.8).

All of the Group's trade and other receivables have been reviewed for indications of impairment. Certain receivables were found to be impaired; hence, adequate amounts of allowance for impairment have been recognized. Certain past due accounts are not provided with allowance for impairment to the extent of the expected market value of the property sold to the customer as the titles to the real estate properties remain with the Group until the receivables are fully collected.

A reconciliation of the allowance for impairment at the beginning and end of the reporting periods is shown below.

	Notes	2015	2014
Balance at beginning of year		P 725,938,324	P 671,853,922
Impairment losses during the year	25	35,555,627	55,457,139
Reversal of impairment previously recognized	26	(24,845,025)	-
Write-off of trade receivables previously provided with allowance		(10,410,412)	(52,144,622)
Additions due to consolidation of new subsidiaries		-	50,771,885
Balance at end of year		P 726,238,514	P 725,938,324

Impairment losses are presented as part of Other Operating Expenses (see Note 25), while the gain on reversal is presented as part of Finance and Other Income (see Note 26).

All trade receivables are subject to credit risk exposure. However, the Group does not identify specific concentrations of credit risk with regard to Trade and Other Receivables as the amounts recognized consist of a large number of receivables from various customers.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This account consists of foreign investments, held for trading, as follows:

	2015	2014
Marketable debt securities	**P 5,724,173,088**	P 2,121,449,412
Equity securities - quoted	**2,347,426,374**	2,229,772,029
	P 8,071,599,462	P 4,351,221,441

Marketable debt securities, which bear interest ranging from 2.5% to 10.6%, 2.8% to 11.1% and 3.3% to 10.6% per annum as at December 31, 2015, 2014 and 2013, respectively, are measured at their fair values determined directly by reference to published prices quoted in an active market. The net changes in fair values of these financial assets are presented as part of either Fair value gains or Fair value losses under Finance and Other Income or Finance Costs and Other Charges, respectively, in the consolidated statements of comprehensive income (see Note 26). Interest income amounting to P569.1 million, P995.1 million and P890.0 million for 2015, 2014 and 2013, respectively, is shown as part of Finance and Other Income account in the consolidated statements of comprehensive income (see Note 26).

A portion of marketable debt securities placed with certain foreign banks is covered by a set-off provision. The loans set-off against marketable debt securities amounted to U.S.$ 45.8 million (P2,151.0 million) and U.S.$ 127.6 million (P5,691.8 million) as at December 31, 2015 and 2014, respectively.

Changes in foreign currency value arising from such investments are taken up in profit or loss and are recorded either as part of Fair value gains under Finance and Other Income account or Fair value losses under Finance Costs and Other Charges account in the consolidated statement of comprehensive income (see Note 26).

8. INVENTORIES

The details of inventories are shown below.

	Notes	**2015**	2014
At cost –			
Real estate for sale	17(t)	**P 58,325,562,562**	P 54,703,177,133
At net realizable value:			
Raw and in process goods		**13,355,035,043**	12,778,572,718
Golf and resort shares for sale		**2,487,372,777**	2,306,759,944
Finished goods		**2,383,315,627**	2,160,508,984
Food, supplies and other consumables		**2,374,804,111**	2,041,084,025
		20,600,527,558	19,286,925,671
Allowance for inventory write-down	2.5	**(295,493,317)**	(283,980,886)
		20,305,034,241	19,002,944,785
		P 78,630,596,803	P 73,706,121,918

Real estate for sale mainly pertains to the accumulated costs incurred in developing residential houses, lots and condominium units for sale. Total cost includes capitalized borrowing costs (see Notes 17 and 18).

Golf and resort shares for sale comprise of proprietary or membership shares (landowner shares and founders' shares) that are of various types and costs. The cost of the landowner resort shares is based on the acquisition and development costs of the land and the project. The cost of the founders' shares is based on the par value of the resort shares which is P100 per share.

Food, supplies and other consumables include paper and packaging, promotional materials, membership program items, operating supplies, spare parts, fuel and lubricants.

(Amounts in Philippine Pesos)

A reconciliation of the allowance for inventory write-down at the beginning and end of the reporting periods is shown below.

	Notes	2015	2014
Balance at beginning of year		P 283,980,886	P 132,670,218
Additional losses during the year	25	15,631,536	21,973,209
Reversals of write-down	26	(4,119,105)	-
Allowance for inventory write-down from newly acquired subsidiary		-	129,337,459
Balance at end of year		P 295,493,317	P 283,980,886

Allowance for inventory write-down from newly acquired subsidiary in 2014 pertains to the allowance for raw and in process goods and finished goods in Scotland.

The additional losses on inventories were recognized to reduce the carrying values of cased stocks and dry goods in 2015 and promotional materials and supplies in 2014. There were no additional provisions recognized in 2013. The additional losses are shown as Write-down of inventories under Other Operating Expenses account (see Note 25) in the consolidated statements of comprehensive income. The reversal of write-down is shown as part of Miscellaneous under Finance and Other Income account in the 2015 consolidated statement of comprehensive income (see Note 26).

9. OTHER ASSETS

The composition of this account is shown below.

	Notes	2015	2014
Current:			
Input VAT		P 3,990,674,261	P 2,641,981,181
Prepayments		1,115,078,851	1,663,687,288
Creditable withholding tax		622,494,744	600,935,738
Advances to suppliers		232,616,640	12,935,293
Refundable deposits		125,848,126	314,003,754
Time deposits	5	114,739,381	113,450,465
Deferred commission		59,389,160	56,484,103
Guarantee deposits		36,693,382	26,860,894
Others		293,658,484	223,226,468
		6,591,193,029	5,653,565,184
Non-current:			
Advances for future investment	30.3	4,088,235,294	2,588,235,294
Advance payments for assets acquisition	35	3,316,846,369	506,119,266
Refundable deposits		1,412,568,856	1,096,222,700
Deferred input VAT		350,158,096	427,420,020
Accumulated jackpot seed money		148,550,000	85,625,000
Claims for tax refund		112,282,175	112,282,175
Front-end payment for credit facility		71,545,250	71,545,250
Rental receivable		27,711,589	33,296,444
Loans receivable		20,000,000	20,000,000
Others		316,559,801	247,787,996
		9,864,457,430	5,188,534,145
		P 16,455,650,459	P 10,842,099,329

Prepayments include operating and office supplies, prepaid flight hours, taxes, insurance, rentals and advertising which are expected to be realized in the next reporting period.

Advances for future investment pertain to the advances made by Travellers in 2015 and 2014 to PAGCOR in connection with the development of Site A of the Entertainment City Project in accordance with the Provisional License Agreement with PAGCOR (see Note 30.3). In 2014, the amounts paid by Travellers consists of advance payment amounting to P2.0 billion and upfront cash of P0.6 billion to fulfill the future investment. In 2015, the Group made additional payment to PAGCOR amounting to P1.5 billion for similar purpose. Also in 2014, Travellers accepted the turnover and/or delivery of possession of the property from PAGCOR [see Note 30.3(a)]. Travellers remains committed to fulfill the investment as at December 31, 2015.

Advance payments for asset acquisition in 2015 includes P2.8 billion deposit made by the Group to acquire the brandy and sherry business from Beam Suntory (see Note 35).

10. ADVANCES TO/FROM LANDOWNERS AND JOINT VENTURES

10.1 Advances to Landowners and Joint Ventures

The Group enters into numerous joint operation agreements for the joint development of various real estate projects. The joint operation agreements stipulate that the Group's joint operator shall contribute parcels of land and the Group shall be responsible for the planning, conceptualization, design, demolition of existing improvements, construction, financing and marketing of condominium to be constructed on the properties. Costs incurred for these projects are recorded under the Property Development Costs account in the consolidated statements of financial position (see Note 2.6).

The Group also grants noninterest-bearing, secured cash advances to a number of landowners and joint operators under the joint operation agreements they entered into with landowners covering the development of certain parcels of land. Under the terms of the joint operation agreements, the Group, in addition to providing specified portion of total project development costs, also commits to advance mutually agreed-upon amounts to the landowners to be used for pre-development expenses such as the relocation of existing occupants.

Repayments of these advances shall be made upon completion of the project development either in the form of the developed lots corresponding to the owner's share in saleable lots or in the form of cash to be derived from the sales of the landowner's share in the saleable lots and residential and condominium units.

As at December 31, 2015 and 2014, the Group's management has assessed that the advances are not impaired. Accordingly, no impairment loss was recognized in those years.

As at December 31, 2015 and 2014, there has been no outstanding commitment for cash advances under the joint arrangements.

The commitment for construction expenditures are as follows:

	2015	2014
Total commitment for construction expenditures	**P 24,076,339,196**	P 21,523,901,115
Total expenditures incurred	**(16,403,084,016)**	(15,356,899,341)
Net commitment	**P 7,673,255,180**	P 6,167,001,774

The Group's interests in joint operations and projects, ranging from 50% to 95% in 2015 and 2014, are as follows:

Megaworld:
- McKinley Hill
- McKinley West
- Newport City
- Manhattan Garden City
- Noble Place
- Uptown Bonifacio
- Northill Gateway

GERI:
- Caliraya Spring
- Forest Hills
- Kingsborough
- Monte Cielo de Peñafrancia
- Mountain Meadows
- Newport Hills
- Alabang West
- Sta. Barbara Heights Phase 2 & 3
- Holland Park
- Pahara at Southwoods

SPI:
- Adriatico Gardens
- Capitol Plaza
- Governor's Hills
- Mandara
- Sta. Rosa Heights
- Sta. Rose Hills
- Sentosa
- Asmara
- Gibraltar
- One Lakeshore
- Riva Bella
- Solana
- Fountain Grove
- Palm City
- Gentri Heights

EELHI:
- Pioneer Woodlands
- San Lorenzo Place
- Various Metro Manila and Calabarzon projects

The aggregate amounts of current assets, long-term assets, current liabilities, long-term liabilities, income and expenses as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015 related to the Group's interest in these joint arrangements, presented above, are not presented or disclosed as these are only joint operations in which the Group is an operator [see Note 2.2(c)].

As at December 31, 2015 and 2014, the Group has assessed that the probability of loss that may arise from contingent liabilities is remote and there are no other contingent liabilities with regard to these joint operations.

As of December 31, 2015 the Group's management has assessed that the advances to joint ventures is fully recoverable. Accordingly, no impairment loss was recognized.

10.2 Advances from Joint Ventures

This account represents the share of joint venture partners in the proceeds from the sale of certain projects in accordance with various joint venture agreements entered into by the Group.

The advances from golf share partners and lot owners recognized in 2015 and 2014 amounts to P336.6 million and P253.7 million, net of deferred interest expense amounting to P51.0 million and P70.1 million, respectively, and is presented as part of Advances from Associates and Other Related Parties account in the consolidated statements of financial position.

The amortization of deferred interest amounting to P19.8 million in both 2015 and 2014 is presented as part of Interest expense under the Finance Costs and Other Charges account in the consolidated statements of income.

11. AVAILABLE-FOR-SALE FINANCIAL ASSETS

This account comprises the following:

	2015	2014
Marketable debt securities - quoted	P 1,868,193,490	P 3,717,359,428
Equity securities:		
Quoted	131,135,359	2,087,530,210
Unquoted	192,658,268	170,455,430
Allowance for impairment	(3,257,940)	(3,257,940)
	189,400,328	167,197,490
	320,535,687	2,254,727,700
	P 2,188,729,177	P 5,972,087,128

The securities can be further analyzed as follows:

	2015	2014
Local	P 323,793,627	P 2,257,985,640
Allowance for impairment	(3,257,940)	(3,257,940)
	320,535,687	2,254,727,700
Foreign	1,868,193,490	3,717,359,428
	P 2,188,729,177	P 5,972,087,128

The reconciliation of the carrying amounts of AFS financial assets are as follows:

	2015	2014
Balance at beginning of year	P 5,972,087,128	P 4,758,892,191
Additions	536,169,158	1,687,722,424
Disposals	(3,201,853,091)	(905,627,289)
Fair value gains (losses)	(1,116,201,288)	620,309,706
Reclassification	(1,472,730)	(199,212,026)
AFS financial assets of newly acquired subsidiary	-	10,002,122
Balance at end of year	P 2,188,729,177	P 5,972,087,128

In 2015 and 2014, marketable debt securities bear interests ranging from 2.3% to 10.6% and 5.4% to 11.0% per annum, respectively. As at December 31, 2015 and 2014, there were no permanent decline in value on these securities; therefore, no losses are transferred from equity to profit or loss.

Equity securities consist of local shares of stock and various club shares which are denominated in Philippine pesos. Golf club shares are proprietary membership shares.

The fair values of quoted AFS financial assets have been determined by reference to published prices in an active market. The changes in the fair value arising from these AFS financial assets amounted to P1,101.7 million loss in 2015, P620.3 million gain in 2014 and P146.1 million loss in 2013 and are presented as part of Net Unrealized Fair Value Gains (Losses) on AFS Financial Assets in the consolidated statements of comprehensive income.

Upon disposal of various AFS financial assets, the Group realized gains amounting to P41.9 million and P128.2 million in 2014 and 2013, respectively, and loss amounting to P34.6 million in 2015. These are included under Finance and Other Income and Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

12. INVESTMENTS IN AND ADVANCES TO ASSOCIATES AND OTHER RELATED PARTIES

12.1 Breakdown of Carrying Values

The details of investments in and advances to associates and other related parties and interest in joint ventures, which are carried at equity method, are as follows:

	Notes	2015	2014
Investments of Megaworld in associates –			
Acquisition costs:			
PCMCI	12.2	P 877,776,746	P -
SHDI	12.3	875,445,000	875,445,000
NPI		734,396,528	734,396,528
BNHGI	12.5	534,510,859	775,419,297
BWDC	12.4	199,212,026	199,212,026
PTHDC		64,665,000	64,665,000
FERC		28,000,000	28,000,000
FENI		10,000,003	10,000,003
FESI		7,808,360	7,808,360
FERSAI		4,000,000	4,000,000
		3,335,814,522	2,698,946,214
Accumulated share in net losses:			
Balance at beginning of year		(700,136,780)	(795,749,145)
Share in net profits for the year		138,614,220	84,110,556
Reversal resulting from consolidation of subsidiaries	12.5	-	11,501,809
Balance at end of year		(561,522,560)	(700,136,780)
Accumulated equity in other comprehensive income:			
Balance at beginning of year		-	6,159,298
Share in other comprehensive income of associate		38,744,144	-
Derecognition of other comprehensive income of associate		-	(6,159,298)
Balance at end of year		38,744,144	-
		2,813,036,106	1,998,809,434
Investment of EMP in BLC	12.6		
a joint venture – acquisition cost		3,703,721,965	3,703,721,965
Accumulated share in net profits:			
Balance at beginning of year		39,534,826	-
Share in net income		130,007,640	39,534,826
Balance at end of year		169,542,466	39,534,826
		3,873,264,431	3,743,256,791
Investment of Travellers in FRTMI	12.7		
a joint venture – acquisition cost		10,000,000	-
Investment of GADC in GCFII,	12.8		
a joint venture – acquisition cost		-	-
Accumulated share in net profits:			
Balance at beginning of year		-	1,688,826
Share in net losses for the year		-	(907,399)
Reversal resulting from consolidation of subsidiary		-	2,596,225
Dividends received		-	-
Balance at end of year		-	-
		-	-
		6,696,300,537	5,742,066,225
Advances to associates and other related parties	29.7	3,971,897,497	2,415,056,035
		P 10,668,198,034	P 8,157,122,260

The total share in net profits amounts to P268.6 million and P122.7 million for the years ended December 31, 2015 and 2014, respectively, while total share in net loss amounts to P13.6 million for the year ended December 31, 2013. These amounts are shown as Share in Net Profits (Losses) of Associates and Joint Ventures – Net account in the consolidated statements of comprehensive income.

The carrying costs of Investments in Associates is lower than the book values of such investments; hence, management has assessed that recognition of impairment losses in 2015, 2014 and 2013 is not necessary.

12.2 PCMCI

In 2015, EELHI acquired 750,000,000 PCMCI shares amounting to P877.8 million representing 30% ownership interest. Through this acquisition, the Group acquired an ability to exert significant influence over PCMCI.

12.3 SHDI

The shares of stock of SHDI are listed in the PSE. The total quoted or market value of investments in this associate amounted to P0.8 billion and P1.1 billion as at December 31, 2015 and 2014, respectively.

12.4 BWDC

In 2014, the Group reclassified its ownership interest in BWDC from AFS financial assets to investment in associate after gaining significant influence over the operating and financial policies through five out of eleven BOD representations.

12.5 BNHGI

In December 2014, FEPI sold 40% of its equity interest in its subsidiary, BNHGI. Management assessed that the Group has lost control over BNHGI due to the loss of the Group's ability to direct the relevant activities of BNHGI. The fair value of the new interest of the Group in BNHGI amounting to P775.4 million was recognized as the deemed cost of the new investment in associate. Accordingly, a gain from sale amounting to P377.5 million was recognized which is presented as part of Gain on acquisitions and deconsolidation of subsidiaries under Finance and Other Income account in the 2014 consolidated statement of comprehensive income (see Note 26).

In 2015, FEPI sold another 15% ownership interest, reducing the Group's effective ownership over BNHGI to 25%. Gain on sale of investment in associate amounting to P181.3 million was recognized under Finance and Other Income in the 2015 consolidated statement of comprehensive income (see Note 26).

12.6 BLC

In February 2014, GES entered into a joint venture agreement with Gonzales Byass, S.A. for the joint control of BLC with 50% equity interest for each venturer. BLC's primary business consists of the planting and growing of grapes and the exploitation of vineyards, the production, ageing and preparation of wines and vinegars; the production of alcohol; the production, preparation and ageing of brandy, aguardientes, compounds, liquors and in general, all kinds of spirits.

12.7 FRTMI

In 2015, the Group entered into a joint venture agreement with Viva Live, Inc. to form FRTMI, a joint venture and newly incorporated entity in the same year. The investment made by the Group amounting to P10.0 million is accounted for under the equity method. FRTMI has not yet started commercial operations as at December 31, 2015. FRTMI's existing assets and equity significantly represent capital infusion from the joint venturers.

12.8 GCFII

In March 2014, GADC made an additional subscription to GCFII's capital stock. The additional subscription resulted to the increase in GADC's controlling interest from 50% to 60% and the reclassification of the investment as a subsidiary of GADC.

12.9 Summarized Financial Information

The aggregated amounts of assets, liabilities, revenues and net profit (loss) of the associates and joint ventures are as follows as at and for the years ended December 31, 2015 and 2014 (in thousands):

	2015			
	Assets	**Liabilities**	**Revenues**	**Net Profit (Loss)**
PCMI	P 2,458,016	P 8,173	P -	(P 9,234)
NPI	5,675,539	1,317,006	21	(18)
BWDC	3,327,984	2,637,530	384,745	259,062
BNHGI	1,799,799	196,247	-	(2,020)
PTHDC	1,136,404	1,006,804	6	(1,190)
SHDI	585,451	346,424	365,069	53,726
FERC	277,875	209,508	-	-
FERSAI	157,909	173,014	-	-
FESI	64,232	18,248	1,819	(1,768)
FENI	98,511	931,113	-	-
BLC	5,054,709	1,063,831	3,315,098	260,015
	P 20,636,429	**P 7,907,898**	**P 4,066,758**	**P 558,573**

	2014			
	Assets	Liabilities	Revenues	Net Profit (Loss)
NPI	P 5,675,695	P 1,317,007	P -	P -
BNHGI	1,799,730	194,220	-	(212)
PTHDC	1,136,372	1,005,581	5	(557)
SHDI	484,173	335,452	307,264	30,983
FERC	277,875	209,509	1,493	(1,568)
FERSAI	157,909	173,014	5,703	(2,939)
FESI	126,676	31,356	20,219	(1,296)
FENI	98,511	931,113	-	-
BWDC	3,701,916	3,108,438	316,443	160,291
BLC	5,641,502	2,002,312	5,447,846	79,070
	P 19,100,359	P 9,308,002	P 6,098,973	P 263,772

13. PROPERTY, PLANT AND EQUIPMENT

The gross carrying amounts and accumulated depreciation, amortization and impairment of property, plant and equipment at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	**Buildings and Leasehold Improvements**	**Machinery and Equipment**	**Transportation Equipment**	**Condominium Units, Fixtures and Other Equipment**	**Construction in Progress**	**Total**
December 31, 2015							
Cost	P 11,056,902,519	P 36,558,047,118	P 18,876,650,033	P 889,003,599	P 8,564,373,419	P 13,006,191,319	P 88,951,168,007
Accumulated depreciation, amortization and impairment	(160,463,480)	(7,382,843,468)	(10,079,353,913)	(486,249,489)	(4,568,029,117)	-	(22,676,939,467)
Net carrying amount	**P 10,896,439,039**	**P 29,175,203,650**	**P 8,797,296,120**	**P 402,754,110**	**P 3,996,344,302**	**P13,006,191,319**	**P 66,274,228,540**
December 31, 2014							
Cost	P 9,744,801,843	P 27,023,462,781	P 17,273,114,250	P 835,103,164	P 6,543,083,196	P 12,542,167,037	P 73,961,732,271
Accumulated depreciation, amortization and impairment	(125,913,465)	(6,264,369,660)	(8,878,835,010)	(426,226,366)	(4,047,650,123)	-	(19,742,994,624)
Net carrying amount	P 9,618,888,378	P 20,759,093,121	P8,394,279,240	P 408,876,798	P 2,495,433,073	P12,542,167,037	P 54,218,737,647
January 1, 2014							
Cost	P 8,848,556,818	P 23,253,269,427	P9,846,633,145	P 2,248,791,013	P 4,694,838,385	P 5,871,064,336	P 54,763,153,124
Accumulated depreciation, amortization and impairment	(115,976,822)	(4,412,550,788)	(4,588,156,757)	(1,003,810,893)	(2,980,853,138)	-	(13,101,348,398)
Net carrying amount	P 8,732,579,996	P 18,840,718,639	P 5,258,476,388	P 1,244,980,120	P 1,713,985,247	P 5,871,064,336	P 41,661,804,726

(Amounts in Philippine Pesos)

A reconciliation of the carrying amounts of property, plant and equipment at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Leasehold Improvements	Machinery and Equipment	Transportation Equipment	Condominium Units, Fixtures and Other Equipment	Construction in Progress	Total
Balance at January 1, 2015 net of accumulated depreciation amortization and impairment	P 9,618,888,378	P20,759,093,121	P 8,394,279,240	P 408,876,798	P 2,495,433,073	P12,542,167,037	P 54,218,737,647
Additions	1,321,887,733	1,146,538,457	1,602,068,559	111,488,824	898,457,795	9,302,139,494	14,382,580,862
Disposals – net	(16,387,925)	(77,944,101)	(70,510,806)	(20,165,794)	(18,350,966)	-	(203,359,592)
Reclassifications – net	-	8,610,363,965	182,285,100	(220,134)	1,220,745,231	(8,838,115,212)	1,175,058,950
Effect of foreign currency adjustment	6,600,867	(1,348,293)	3,989,691	-	65,884	-	9,308,149
Impairment loss – reversal	-	1,877,430	-	-	-	-	1,877,430
Depreciation and amortization charges for the year	(34,550,014)	(1,263,376,929)	(1,314,815,664)	(97,225,584)	(600,006,715)	-	(3,309,974,906)
Balance at December 31, 2015 net of accumulated depreciation, amortization and impairment	**P 10,896,439,039**	**P29,175,203,650**	**P 8,797,296,120**	**P 402,754,110**	**P 3,996,344,302**	**P13,006,191,319**	**P 66,274,228,540**
Balance at January 1, 2014 net of accumulated depreciation, amortization and impairment	P 8,732,579,996	P 18,840,718,639	P 5,258,476,388	P 1,244,980,120	P 1,713,985,247	P 5,871,064,336	P 41,661,804,726
Property, plant and equipment of newly acquired subsidiaries	360,000,376	2,037,060,673	2,894,371,436	970,334	994,379,835	-	6,286,782,654
Additions	536,244,649	806,037,186	1,222,061,129	112,352,644	426,435,906	7,316,951,606	10,420,083,120
Disposals – net	-	(118,352,115)	(118,683,379)	(748,233,051)	(8,750,069)	(3,782,485)	(997,801,099)
Reclassifications – net		487,277,065	160,275,998	2	(3,701,327)	(642,066,420)	1,785,318
Impairment loss	-	(205,095,122)	(4,900,000)	-	-	-	(209,995,122)
Depreciation and amortization charges for the year	(9,936,643)	(1,088,553,205)	(1,017,322,332)	(201,193,251)	(626,916,519)	-	(2,943,921,950)
Balance at December 31, 2014 net of accumulated depreciation, amortization and impairment	P 9,618,888,378	P20,759,093,121	P8,394,279,240	P 408,876,798	P 2,495,433,073	P12,542,167,037	P 54,218,737,647

Construction in progress includes accumulated costs incurred on the casino and hotel sites being constructed as part of Travellers' investment commitment in accordance with its Provisional License Agreement with PAGCOR [see Note 30.3(a)]. In 2015, the construction of Marriott Grand Ballroom, which is a grand ballroom and convention center with a seating capacity of up to 4,000, was completed. Accordingly, the accumulated costs incurred for this facility amounting to P8,420.5 million was reclassified from Construction in progress to Buildings and leasehold improvements in the same year. The amount of construction in progress includes capitalized borrowing costs amounting to P1,020.4 million and P348.5 million in 2015 and 2014, respectively, representing the actual borrowing costs, net of related investment income, incurred on loans obtained to fund the construction project [see Note 17(q)]. The capitalization rate used was based on effective interest rates of applicable specific and general borrowings ranging from 5.6% to 7.4% and 5.5% to 7.4% in 2015 and 2014, respectively.

In 2015 and 2013, GADC recognized gain on reversal of impairment losses amounting to P1.9 million and P18.6 million. In 2014, GADC recognized impairment loss of P210.0 million to write down to recoverable amount certain stores' property and equipment. Impairment loss is presented as Impairment of property, plant and equipment under Other Operating Expenses in the consolidated statements of comprehensive income (see Note 25), while the gain on reversal of the impairment losses are presented as part of Miscellaneous under Finance and Other Income account in the 2015 and 2013 consolidated statements of comprehensive income (see Note 26). The value in use was computed using GADC's weighted average cost of capital of 16%, 18% and 11% in 2015, 2014 and 2013, respectively.

The Group recognized a net gain on disposal of various property, plant and equipment totaling P1.8 million in 2015 and P44.4 million in 2014, which is presented as part of Gain on disposal of PPE, investment properties and intangible assets - net under Finance and Other Income. In 2013, the Group recognized a net gain on disposal of various property, plant and equipment amounting to P25.7 million, respectively, which is presented as part of Loss on disposal of PPE, investment properties and intangible assets – net account in the consolidated statements of comprehensive income (see Note 26).

In 2014, Travellers sold its aircraft (reported under Transportation equipment) to a third party for P640.6 million. The loss on sale amounted to P81.1 million and is presented as part of Miscellaneous under Finance and Other Income account in the 2014 consolidated statement of comprehensive income (see Note 26). The aircraft was held as collateral for a certain interest-bearing loan which was fully paid in the first quarter of 2014.

The amount of depreciation is presented as part of Depreciation and Amortization which is presented under cost of goods sold, cost of services and other operating expenses (see Notes 24 and 25). In 2015 and 2014, depreciation expense amounting to P198.6 million and P30.3 million, respectively, was capitalized to form part of the work-in-process inventory. Such capitalized amount represents depreciation expense on barrels and warehouse buildings wherein the maturing bulk stocks of whisky are held.

Certain land and building is collateralized by GADC to a local bank. As at December 31, 2015, the carrying values of the land and building amounted to P112.1 million and P45.8 million, respectively [see Note 17(s)].

As at December 31, 2015 and 2014, total cost of fully depreciated assets that are still being used in operations amounted to P3.1 billion and P2.7 billion, respectively.

14. INVESTMENT PROPERTY

The Group's investment property includes several parcels of land, buildings and improvements which are held for investment purposes only, either to earn rental income or for capital appreciation or both. The gross carrying amounts and accumulated depreciation of investment property at the beginning and end of the reporting periods are shown below.

	Land and Land Improvements	Buildings and Improvements	Total
December 31, 2015			
Cost	P 9,823,058,912	P 44,538,546,995	P 54,361,605,907
Accumulated depreciation	-	(6,190,659,719)	(6,190,659,719)
Net carrying amount	**P 9,823,058,912**	**P 38,347,887,276**	**P 48,170,946,188**
December 31, 2014			
Cost	P 9,568,371,898	P 33,106,007,625	P 42,674,379,523
Accumulated depreciation	(136,338,719)	(4,795,748,682)	(4,932,087,401)
Net carrying amount	P 9,432,033,179	P 28,310,258,943	P 37,742,292,122
January 1, 2014			
Cost	P 6,982,896,809	P 24,397,702,795	P 31,380,599,604
Accumulated depreciation	(134,409,248)	(3,955,761,918)	(4,090,171,166)
Net carrying amount	P 6,848,487,561	P 20,441,940,877	P 27,290,428,438

(Amounts in Philippine Pesos)

A reconciliation of the carrying amounts of investment property at the beginning and end of the reporting periods is shown below.

	Land and Land Improvements	Buildings and Improvements	Total
Balance at January 1, 2015, net of accumulated depreciation	P 9,432,033,179	P 28,310,258,943	P 37,742,292,122
Additions	513,077,164	12,383,054,370	12,896,131,534
Disposals	-	(33,846,200)	(33,846,200)
Reclassifications – net	(122,051,431)	(1,053,007,519)	(1,175,058,950)
Depreciation charges for the year	-	(1,258,572,318)	(1,258,572,318)
Balance at December 31, 2015, net of accumulated depreciation	P 9,823,058,912	P 38,347,887,276	P 48,170,946,188
Balance at January 1, 2014, net of accumulated depreciation	P 6,848,487,561	P 20,441,940,877	P 27,290,428,438
Investment properties of newly acquired subsidiaries	2,932,084,985	391,632,748	3,323,717,733
Additions	13,145,142	8,726,306,159	8,739,451,301
Disposals	(359,755,039)	(7,685,142)	(367,440,181)
Reclassifications – net	-	(1,785,318)	(1,785,318)
Depreciation charges for the year	(1,929,470)	(1,240,150,381)	(1,242,079,851)
Balance at December 31, 2014, net of accumulated depreciation	P 9,432,033,179	P 28,310,258,943	P 37,742,292,122

Rental income earned from the investment property amounted to P9.2 billion, P7.6 billion and P6.4 billion for the years ended December 31, 2015, 2014 and 2013, respectively, and shown as Rental income under Rendering of Services in the consolidated statements of comprehensive income (see Note 23). The direct operating costs, exclusive of depreciation, incurred by the Group relating to the investment property amounted to P468.4 million, P471.7 million and P368.8 million in 2015, 2014 and 2013, respectively, are presented as part of Cost of Services in the consolidated statements of comprehensive income (see Note 24). The operating lease commitments of the Group as a lessor are fully disclosed in Note 30.1.

Depreciation charges are presented as part of Depreciation and amortization under Cost of Services account in the consolidated statements of comprehensive income (see Note 24).

As at December 31, 2015 and 2014, none of the Group's investment properties were held as collateral.

The fair values of these properties amounted to P207.1 billion and P173.1 billion as at December 31, 2015 and 2014, respectively. These are estimated either by reference to current prices for similar properties or by calculation of the present value of the estimated cash inflows anticipated until the end of the life of the investment property (see Note 33.4).

15. INTANGIBLE ASSETS

The gross carrying amounts and accumulated amortization of intangible assets at the beginning and end of the reporting periods are shown below (see Note 2.11).

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
December 31, 2015					
Cost	P18,385,690,018	P10,095,457,168	P 1,155,954,708	P 29,758,358	P29,666,860,252
Accumulated amortization	-	-	(78,562,744)	(26,099,739)	(104,662,483)
Net carrying amount	P18,385,690,018	P10,095,457,168	P 1,077,391,964	P 3,658,619	P29,562,197,769
December 31, 2014					
Cost	P18,385,690,018	P11,000,870,823	P 1,194,058,929	P 29,633,358	P30,610,253,128
Accumulated amortization	-	(802,540,987)	(38,104,221)	(24,682,563)	(865,327,771)
Net carrying amount	P18,385,690,018	P10,198,329,836	P 1,155,954,708	P 4,950,795	P29,744,925,357
January 1, 2014					
Cost	P10,700,039,578	P 1,028,726,681	P 57,960,616	P 23,247,259	P11,809,974,134
Accumulated amortization	-	(699,668,319)	(37,082,426)	(23,247,259)	(759,998,004)
Net carrying amount	P10,700,039,578	P 329,058,362	P 20,878,190	P -	P11,049,976,130

A reconciliation of the carrying amounts at the beginning and end of the reporting periods of intangible assets is shown below.

	Goodwill	Trademarks	Leasehold Rights	Computer Software	Total
Balance at January 1, 2015, net of accumulated amortization	P18,385,690,018	P10,198,329,836	P 1,155,954,708	P 4,950,795	P29,744,925,357
Additions due to consolidation of subsidiaries	-	-	-	125,000	125,000
Amortization for the year	-	(102,872,668)	(78,562,744)	(1,417,176)	(182,852,588)
Balance at December 31, 2015, net of accumulated amortization	**P18,385,690,018**	**P10,095,457,168**	**P 1,077,391,964**	**P 3,658,619**	**P29,562,197,769**
Balance at January 1, 2014, net of accumulated amortization	P10,700,039,578	P 329,058,362	P 20,878,190	P -	P11,049,976,130
Additions due to consolidation of subsidiaries	7,685,650,440	9,972,144,142	-	-	17,657,794,582
Additions	-	-	1,139,304,336	6,386,098	1,145,690,434
Disposals	-	-	(1,219,544)	-	(1,219,544)
Amortization for the year	-	(102,872,668)	(3,008,274)	(1,435,303)	(107,316,245)
Balance at December 31, 2014, net of accumulated amortization	P18,385,690,018	P10,198,329,836	P 1,155,954,708	P 4,950,795	P29,744,925,357

In 2014, the Group recognized P7.7 billion goodwill in relation to EMP's acquisition of WMG during such year. The amount of goodwill represents excess of the fair value of cash consideration given up, amounting to P30.3 billion, over the fair value of net identifiable assets acquired, amounting to P22.6 billion, which is composed of P21.7 billion tangible assets, P10.0 billion intangible assets and P9.1 billion assumed liabilities. In addition, a P12.8 million goodwill was recognized in 2014 in relation to GADC's acquisition of GCFII.

Trademarks include brand names "Emperador Brandy", "Emperador Deluxe", "Generoso Brandy" and "The BaR" which were acquired up to 2008. In 2014, from the Group's acquisition of WML, the trademarks "Jura" and "The Dalmore" were also recorded; both trademarks were assessed to have indefinite useful lives.

The amortization of trademarks with finite useful lives amounted to P102.9 million, P102.9 million and P102.3 million for the years ended December 31, 2015, 2014 and 2013, respectively, and are shown as part of Depreciation and Amortization under Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25).

The remaining useful lives, as at December 31, of the trademarks with finite useful lives are as follows:

	2015	2014
Emperador Brandy	**1 year**	2 years
Generoso Brandy	**1 year**	2 years
The BaR	**2.5 years**	3.5 years
Emperador Deluxe	**7.5 years**	8.5 years

In 2014, WCRWI entered into a lease agreement with Nayong Pilipino Foundation (NPF) covering certain parcels of land located at the Manila Bay Reclamation Area in Parañaque City for a period of 25 years, renewable for another 25 years under the terms mutually acceptable to the parties. Upon effectivity of the lease agreement, WCRWI has paid NPF an advance rental of P1.0 billion (presented under Leasehold rights) covering the first 20 years of the lease. The amount of amortization charges in 2015 amounted to P66.7 million which is presented as part of Rental under Other Operating Expenses account in the 2015 consolidated statement of comprehensive income. There was no amortization recognized in 2014 as the lease agreement entered by WCRWI is close to the end of the reporting period and the amount of amortization is not significant during such year (see Note 25).

(Amounts in Philippine Pesos)

Based on the Group's assessment, no impairment loss is required to be recognized on the carrying value of the Group's trademarks as the products that carry such brands are fast moving consumer products. Further, no impairment loss is required to be recognized on the carrying value of the other intangible assets (goodwill, leasehold rights and computer software) as at December 31, 2015, 2014 and 2013.

As at December 31, 2015, the Group has no contractual commitments for the acquisition of any additional trademarks, leasehold rights and computer software.

16. TRADE AND OTHER PAYABLES

The breakdown of this account follows:

	Notes	2015	2014
Trade payables	29.1, 29.3	P 21,781,889,769	P 21,893,232,818
Accrued expenses	18, 29.4	7,646,667,814	7,262,354,554
Retention payable		3,328,641,361	2,861,426,165
Gaming license fees payable	28.3	2,643,207,205	2,188,749,650
Liabilities for land acquisition		789,104,396	588,282,285
Output VAT payable		508,138,283	538,194,137
Due to related parties	29.8	446,478,426	834,952,605
Unredeemed gaming points		357,319,592	330,516,956
Withholding tax payable		112,825,990	264,383,225
Others		1,284,729,518	869,495,080
		P 38,899,002,354	P 37,631,587,475

Trade payables significantly comprise of obligations to subcontractors and suppliers of construction materials for the Group's projects and suppliers of raw materials. These also include unredeemed gaming chips determined as the difference between total gaming chips placed in service and the actual inventory of gaming chips under control or in custody, casino deposit certificates from patrons and other gaming-related liabilities.

Accrued expenses include accruals for interest, salaries and other benefits, utilities, local and overseas travel, training and recruitment, dues and subscription, advertising, rentals and other operating expenses of the Group.

Retention payable pertains to amount withheld from payments made to contractors for construction works performed to ensure compliance and completion of contracted projects. Upon completion of the contracted projects, the retained amounts are returned to the contractors.

Liabilities for land acquisition represent the unpaid portion of land for future development acquired by the Group.

The unredeemed gaming points liability represents the estimated costs of unredeemed casino gaming points issued, which are redeemable for complimentary goods or services of the Group (see Note 2.15).

Others include accrued construction costs, unearned rentals, and payables to government and other regulatory agencies, and various unreleased checks which are reverted back to liability.

17. INTEREST-BEARING LOANS

The composition of the Group's outstanding bank loans is shown below.

	2015	2014
Current:		
Local	P 4,739,879,636	P 12,016,123,866
Foreign	23,964,734,146	14,644,452,582
	28,704,613,782	26,660,576,448
Non-current:		
Local	29,071,029,819	8,038,681,649
	P 57,775,643,601	P 34,699,258,097

The summarized terms and conditions of each availed loan as at December 31, 2015 and 2014 are as follows:

Outstanding Principal Balance (in Millions of Philippine Pesos) 2015	2014	Explanatory Notes	Interest Rate	Security	Maturity date
P 18,410.8	P -	(a)	Variable based on EURIBOR plus spread	Unsecured	2016
10,000.0	-	(b)	Fixed at 5.4%	Unsecured	2022
5,000.0	-	(c)	Fixed at 5.05%	Unsecured	2022
5,000.0	-	(d)	Fixed at 5.035%	Unsecured	2020
4,617.8	5,000.0	(e)	Fixed at 5.125%	Unsecured	2021
4,478.3	-	(a)	0.66% subject to repricing	Unsecured	2016
1,440.0	-	(f)	Fixed at 5.4%	Unsecured	2022
1,500.0	-	(g)	Fixed based on 5-year PDST-R2 plus 1.3% spread at 5% floor	Unsecured	2020
1,400.0	-	(h)	3.15% subject to repricing	Unsecured	2020
1,010.7	-	(i)	0.8% over LIBOR plus spread	Secured	2016
997.4	1,034.7	(j)	Variable prevailing market rate	Secured	Upon collection of related assigned receivables
830.0	830.0	(k)	Fixed at 4.18% and 5.17%	Unsecured	2017
761.9	952.4	(l)	3.85% to 5.15%	Unsecured	2016 to 2019
500.0	-	(m)	5.0% subject to repricing	Unsecured	2020
500.0	-	(n)	Fixed at 5.035%	Unsecured	2020
467.5	472.5	(o)	Variable based on floating 6-month PDSTF-R plus spread	Unsecured	2016
260.0	-	(p)	Fixed at 4.71%	Unsecured	2017
221.8	216.9	(q)	Floating at 2% + benchmark	Unsecured	2016
115.9	-	(r)	Fixed at range of 5.50% to 5.75%	Unsecured	2016
102.9	120.0	(s)	Fixed at 5%	Secured	2021
69.0	136.5	(t)	Fixed at range of 3.15% to 9.08% in 2015 and 7.8% to 9.6% in 2014	Secured	2016
65.0	69.2	(u)	Fixed at 0.82%	Unsecured	2016
26.6	-	(v)	Fixed at 4.0%	Unsecured	2016
-	14,575.3	(w)	Variable based on LIBOR plus spread	Unsecured	2015
-	9,251.9	(x)	Fixed at 1.38%	Unsecured	2015
-	886.5	(y)	Fixed at range of 3.0% to 5.75%	Unsecured	2015
-	714.3	(z)	Variable based on PDSTF-R plus spread	Unsecured	2016
-	200.0	(aa)	Fixed at 3.15%	Unsecured	2015
-	145.8	(bb)	Fixed at 5.5%	Unsecured	2016
-	93.3	(cc)	Variable based on 91-day treasury bills	Secured	2016
P 57,775.6	P 34,699.3				

(a) Short-term loans denominated in foreign currency obtained by EIL from international financial institutions.

(b) Loan obtained by Megaworld from a local bank obtained to fund various real estate projects and retire currently maturing obligation. The loan is payable for a term of seven years. The principal repayments will commence in June 2016 while interest is paid quarterly.

(c) Loan obtained by Megaworld from a local bank payable for a term of seven years. The principal repayment will commence in November 2016 and interest is paid semi-annually.

(d) Loan obtained by Megaworld from a local bank payable for a term of five years with a grace period of one year upon availment. The principal repayment of the loan will commence in March 2017 and interest is paid quarterly.

(e) Loan obtained by Megaworld from a local bank payable for a term of seven years. The principal repayment of this loan commenced in August 2015 while interest is payable semi-annually.

(f) Loan availed by EELHI from a local bank with a negative pledge on assets.

(g) Loan availed by GERI from a local bank which was granted on a clean basis with negative pledge on assets. The proceeds of the loan are being used to finance capital expenditure requirements of GERI's various real estate development projects and for other general corporate requirements.

(h) Long-term loan obtained by SPI from a local bank. The loan bears floating interest which is subject to repricing every 30-180 days. Quarterly repayment of the loan will begin in 2017.

(i) Loan denominated in foreign currency obtained by WMG from an international commercial bank secured by way of floating charge over WMG's inventory. This was fully paid in March 2016.

(j) Loan balance of SPI arising from assignment of its trade receivables on a with-recourse basis with certain local banks (see Note 6).

(k) Loans obtained by GADC from local bank with equal quarterly payments starting September 26, 2016.

(l) Loans drawn by GADC from a P1.0 billion credit facility granted by a local bank, payable in quarterly installments starting on various dates, earliest being March 2015. In 2014, GADC prepaid P47.6 million of these outstanding loans.

(m) Loan obtained by LFI from a local bank to fund construction of a building. Quarterly installments beginning March 2017 are due until the loan is fully-settled in 2020.

(n) Loan availed by OFPI from a local bank.

(o) This is the amount outstanding from a seven-year loan obtained by Megaworld from a local bank in May 2009; interest is payable semi-annually.

(p) In 2015, GADC entered into a loan facility agreement with a local bank granting GADC a credit line of P500.0 million from which P260.0 million was availed in 2015.

(q) The loan was drawn by Travellers in 2012 from an P11.0 billion loan facility with a local bank, to settle Travellers' secured loans from the same bank. Quarterly principal amortization at P375.0 million starts in March 2014. In 2014, Travellers prepaid P4.2 billion of the outstanding loan balance.

(r) Outstanding balance of short-term loan availed by SPI from local banks in 2015.

(s) Balance from loan granted to GADC in December 2011 by a local bank for the purchase of land and building from the latter, payable monthly starting on the third year of the term of the loan. The acquired land and building served as collateral on the loan (see Note 13).

(t) The balance includes local bank loans arising from trade receivable discounted on a with-recourse basis amounting to P69.0 million and P136.5 million as at December 31, 2015 and 2014, respectively (see Note 6). Certain residential and condominium units for sale with carrying value of P312.1 million and P497.8 million as at December 31, 2015 and 2014, respectively, were used as collaterals for these bank loans (see Note 8).

(u) Euro-denominated short-term loan originally maturing in 2015 availed by RHGI from a foreign commercial bank amounting to €1.3 million or a peso equivalent of P69.2 million. In June 2015, RHGI renewed the loan for another year.

(v) Short-term loans availed by AFCMI to finance working capital requirements.

(w) Loans denominated in foreign currency obtained by EIL and from international financial institutions. The loans were fully settled in 2015.

(x) Dollar-denominated short-term loan received by EDI from a local bank in 2014.

(y) Short-term loan obtained by SPI from local banks with a total amount of P1.2 billion. Both principal and interest of the loans are payable on a monthly basis. The loan was fully paid in 2015.

(z) Loan availed by Megaworld from a local bank in 2008 and 2009 to fund the development of its various real estate projects. The loan is payable in seven years with a grace period of two years, divided into 21 consecutive equal quarterly payments. The loan was fully settled in 2015.

(aa) Short-term loan obtained by OFPI from a local bank. Interest rate of the loan is subject to repricing every 30 to 180 days. The loan was fully paid in 2015.

(bb) Pertains to long-term loans availed by SPI in 2012 from a local bank for working capital requirements. These were pre-terminated in 2015.

(cc) These are the outstanding portions of ten-year loans obtained by Megaworld from a local bank in 2005 and 2006, with a three-year grace period on principal payments, payable quarterly thereafter. The loans are collateralized by certain investment properties of Megaworld with carrying value of P40.4 million as at December 31, 2014. Megaworld fully paid these loans in 2015; hence, the collateral over these investment properties were released as at December 31, 2014 (see Note 14).

As at December 31, 2015, the Group complied with related loan covenants, including maintaining certain financial ratios, at the reporting dates.

Total interest expense attributable to these loans, including amortization of capitalized transaction costs, amounted to P497.4 million, P197.8 million and P513.0 million for the years ended December 31, 2015, 2014 and 2013, respectively, and are presented as part of Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized for the years ended December 31, 2015, 2014 and 2013 amounted to P494.0 million, P391.5 million and P296.0 million, respectively.

18. BONDS PAYABLE

This account consists of bonds payable of the Company's subsidiaries as follows:

	2015	2014
AG Cayman	**P 23,383,990,867**	P 22,129,059,932
Megaworld	**17,314,139,585**	21,349,404,748
Travellers	**14,021,596,999**	13,209,060,653
	P 54,719,727,451	P 56,687,525,333

The significant terms of the bonds are discussed below.

Face Amount	Outstanding Principal Balance 2015	Outstanding Principal Balance 2014	Explanatory Notes	Interest Rate	Nature	Maturity
$500.0 million	P 23.4 billion	P 22.1 billion	(a)	Fixed at 6.50%	Unsecured	2017
$300.0 million	P 14.0 billion	13.2 billion	(b)	Fixed at 6.90%	Unsecured	2017
$250.0 million	P 7.9 billion	7.6 billion	(c)	Fixed at 4.25%	Unsecured	2023
$200.0 million	P 9.4 billion	8.8 billion	(d)	Fixed at 6.75%	Unsecured	2018
P 5.0 billion	-	5.0 billion	(e)	Fixed at 8.46%	Unsecured	2015
	P 54.7 billion	P 56.7 billion				

(a) On August 18, 2010, AG Cayman issued seven-year bonds with interest payable semi-annually in arrears on February 18 and August 18 of every year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are used to finance capital and project expenditures, refinance certain existing indebtedness of certain subsidiaries, and for general corporate purposes.

Subject to certain exceptions, the bonds may be redeemed by AG Cayman at their principal amount plus any accrued and unpaid interest. The bonds are unconditionally and irrevocably guaranteed by AGI which, together with certain subsidiaries, is required to comply with certain covenants. As at December 31, 2015, the Group is in compliance with the covenants.

(Amounts in Philippine Pesos)

(b) On November 3, 2010, Travellers issued seven-year bonds with interest payable semi-annually in arrears every May 3 and November 3 of each year. The bonds are listed in the Singapore Exchange Securities Trading Limited. The net proceeds of the bonds are intended to finance capital and project expenditures, to refinance certain existing indebtedness, and for general corporate purposes of Travellers. Subject to certain exceptions, Travellers may, at its option, redeem the bonds (i) in full at a price of 100.0% of the principal if certain changes in laws, treaties, regulations or rulings affecting taxes would require Travellers to pay certain additional amount; and, (ii) at any time prior to November 3, 2014, up to 35.0% of the principal amount at a price of 106.9% of the principal amount with the net cash proceeds of an equity offering.

Also, Travellers is required to make an offer to purchase the bonds at a price of 101.0% of the principal amount following a change in control (e.g., a sale or other disposition of all or substantially all of the properties or assets of Travellers to any person or entity).

(c) On April 17, 2013, Megaworld issued 10-year term bonds with semi-annual interest payments every April 10 and October 10. The proceeds of the bond issuance is being used by Megaworld for general corporate purposes.

(d) On April 15, 2011, Megaworld issued seven-year term bonds with interest payable semi-annually in arrears every April 15 and October 15 each year. The proceeds received from this bond are also being used by Megaworld to finance its capital expenditures for its real estate projects.

(e) On November 18, 2009, Megaworld issued bonds with a term of five years and six months. The proceeds received were used to finance Megaworld's capital expenditures related to real estate development projects from 2009 up to 2013. In May 2015, these bonds were fully redeemed at face value.

Interest expense on the bonds payable, including amortization of capitalized transaction costs, amounted to P2.8 billion in 2015, P3.5 billion in 2014 and P3.4 billion in 2013. These amounts are presented as part of Interest expense under Finance and Other Charges account in the consolidated statements of comprehensive income (see Note 26). Interest charges capitalized amounted to P1,168.7 million in 2015, P720.7 million in 2014 and P423.0 million in 2013, using a capitalization rate of 5.5% to 7.4% in 2015 and 2014, and 3.6% to 5.1% in 2013. The amounts of outstanding interest payable as at December 31, 2015 and 2014 amounting to P1,144.7 million and P1,122.0 million, respectively, are presented as part of Accrued expenses under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

19. REDEEMABLE PREFERRED SHARES

The Group's redeemable preferred shares pertain to preferred shares issued by GADC and TLC as presented below and in the succeeding page.

19.1 GADC's Redeemable Preferred Shares

The shares were issued in March 2005 to McDonald's Restaurant Operations (MRO), a company incorporated in the U.S.A. and is a subsidiary of McDonald's. The features of these preferred shares with par value per share of P61,066 each are presented below (in exact amounts).

Class	Voting	No. of Shares Authorized and Issued	Total Par Value (undiscounted)	Additional payment in the event of GADC's liquidation
A	No	778	P 47,509,348	U.S.$1,086 per share or the total peso equivalent of U.S.$845,061
B	No	25,000	1,526,650,000	U.S.$1,086 per share or the total peso equivalent of U.S.$27,154,927

Additional features of the preferred shares are as follows:

(a) Redeemable at the option of the holder after the beginning of the 19th year from the date of issuance for a total redemption price equivalent to the peso value on the date that the shares were issued;

(b) Has preference as to dividend declared by the BOD, but in no event shall the dividend exceed P1 per share; and,

(c) Further, the holder of preferred shares is entitled to be paid a certain amount of peso equivalent for each class of preferred shares, together with any unpaid dividends, in the event of liquidation, dissolution, receivership, bankruptcy or winding up of GADC.

The redeemable preferred shares are recognized at fair values on the date of issuance which were determined as the sum of all future cash payments, discounted using the prevailing market rates of interest as of the transaction date for similar instruments with similar term of 18 years.

The accretion of GADC's redeemable preferred shares in 2015, 2014 and 2013 amounted to P74.9 million, P68.3 million and P58.0 million, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26). As at December 31, 2015 and 2014, the carrying value of the GADC redeemable preferred shares amounted to P671.4 million and P596.4 million, respectively, shown as part of Redeemable Preferred Shares account in the consolidated statements of financial position. As at December 31, 2015 and 2014, the fair value of these shares amounted to P989.0 million and P982.1 million, respectively, as determined by discounting the sum of all future cash flows using prevailing market rates of interest for instrument with similar maturities at a discount rate of 3.27% and 2.91%, respectively.

19.2 TLC's Redeemable Preferred Shares

These were issued by TLC in September 2012 consisting of 1,258.0 million shares which are nonvoting, earns dividend at a fixed annual rate of 2.50% and subject to the existence of TLC's unrestricted retained earnings. These were issued in exchange for certain parcels of land with total fair value of P1,338.2 million. The issuance through the exchange of land was approved by SEC on April 17, 2013.

The preferred shares have a maturity of 10 years and shall be redeemed every anniversary date beginning on the sixth anniversary date until expiration of the 10-year period. Only 1/5 of the aggregate face value of preferred shares may be redeemed per year during such redemption period, with all remaining shares to be redeemed on the 10th anniversary date.

The accrued dividends on these preferred shares amounting to P89.1 million and P60.2 million as at December 31, 2015 and 2014, respectively, and is presented as part of Other Non-current Liabilities account in the consolidated statements of financial position (see Note 20). The related interest expense recognized for the year ended December 31, 2015 and 2014 amounted to P28.9 million is presented as part of Interest expense under Finance Cost and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

The preferred shares are considered as financial liabilities. Accordingly, the redeemable preferred shares are recognized at fair value on the date of issuance and are classified as a non-current liability in the consolidated statements of financial position. The fair values of the redeemable preferred shares on the date of issuance approximate their par value.

20. OTHER LIABILITIES

The composition of this account is shown below.

	Notes	2015	2014
Current:			
Reserve for property development	2.6	**P 6,437,971,861**	P 7,063,089,278
Customers' deposits	2.15(b)	**5,889,473,914**	5,857,063,120
Deferred income on real estate sales	2.15(b)	**5,653,790,826**	5,340,188,412
Unearned revenues		**1,639,368,747**	1,831,092,740
Deferred rental income	2.15(j)	**355,831,050**	391,139,056
Derivative liability		**10,782,959**	398,881,856
Others		**1,512,594,313**	1,450,165,107
		21,499,813,670	22,331,619,569
Non-current:			
Reserve for property development	2.6	**9,751,642,232**	8,302,500,433
Equity-linked debt securities		**5,259,137,443**	5,253,911,638
Deferred income on real estate sales	2.15(b)	**4,808,072,809**	4,518,013,829
Deferred rental income	2.15(j)	**3,346,201,751**	1,762,530,579
Customers' deposit	2.15(b)	**1,062,317,494**	1,396,448,740
Derivative liability		**614,964,522**	869,818,108
Provision for onerous lease		**476,915,255**	649,364,390
Provision for dilapidations		**317,343,255**	270,105,211
Guaranty deposits		**223,742,615**	191,011,385
Accrued rent		**110,423,563**	78,831,722
Asset retirement obligation	2.8	**52,254,229**	45,835,196
Others		**1,115,038,383**	776,922,036
		27,138,053,551	24,115,293,267
		P 48,637,867,221	P 46,446,912,836

Deferred rental income refers to the rental payments advanced by the lessee at the inception of the lease which will be applied to the remaining payments at the end of the lease term.

(Amounts in Philippine Pesos)

The current derivative liability represents the reduction in fair market value as at December 31, 2015 of currency forward options contract entered into with certain foreign banks. On the other hand, the non-current derivative liability consists of the fair market value of the interest rate swap entered into by Travellers with a certain foreign bank at a notional amount of U.S.$250.0 million. Changes in the fair values of these current derivatives financial liabilities are presented as part of Fair value losses while those for non-current financial liability are presented under Unrealized loss on interest rate swap under Finance Costs and Other Charges account in the consolidated statements of comprehensive income (see Note 26).

Equity-linked debt securities (ELS) instrument arises from the subscription agreement between EMP and Arran Investment Private Limited for the issuance of additional common shares of EMP. The ELS may be converted into 480.0 million common shares (conversion shares) of EMP. The ELS bears a fixed annual interest rate of 5.0% and variable interest in an amount equal to the dividends that would be payable on the conversion shares if they were issued prior to the date that any dividend is declared by EMP. The fixed interest is payable either in cash or in new EMP shares (interest shares) on the conversion date, December 4, 2019, or December 4, 2021, as applicable. The variable interest is payable in cash on the date that the Issuer pays such dividends to its shareholders. Interest expense amounted to P341.2 million and P19.8 million in 2015 and 2014, respectively, and is presented as part of Interest expense under Finance Costs and Other Charges account in the 2015 and 2014 consolidated statements of comprehensive income (see Note 26).

Provision for onerous lease pertains to WML's existing non-cancellable lease agreements on leasehold properties located in Glasgow and Edinburgh, Scotland, covering manufacturing plant facilities, buildings and parking spaces, which are vacant or subleased at a discount. The provision takes into account the current market conditions, expected future vacant periods, and expected future sublet benefits.

Provision for dilapidations is recognized for the present value of the costs to be incurred by WML for the restoration of the leased properties to a specified condition at the end of the lease term in 2029 as provided in the tenant repairing clauses of lease agreements.

Current Others include liabilities on stocks purchases which amounted to P1.4 billion both in 2015 and 2014.

21. EQUITY

21.1 Capital Stock

Capital stock consists of:

	Shares			Amount		
	2015	2014	2013	**2015**	2014	2013
Common shares – P1 par value						
Authorized	**12,950,000,000**	12,950,000,000	12,950,000,000	**P12,950,000,000**	P12,950,000,000	P12,950,000,000
Issued and outstanding:	**10,269,827,979**	10,269,827,979	10,269,827,979	**P10,269,827,979**	P 10,269,827,979	P10,269,827,979
Treasury stock – at cost	**(122,964,200)**	(122,964,200)	(155,296,400)	**(936,157,074)**	(936,157,074)	(955,217,410)
Total outstanding	**10,146,863,779**	10,146,863,779	10,114,531,579	**P 9,333,670,905**	P 9,333,670,905	P 9,314,610,569

On March 12, 1999, the SEC approved the initial public offering of the Company's 336.1 million shares (248.1 million then outstanding and 88.0 million new issues) at P1.27 per share. The shares were initially listed in the PSE on April 19, 1999.

A 10% stock dividend was approved by the SEC and listed in September 1999. Three private placements ensued up to January 2011, of which 1.5 billion shares were listed in 2006. Then, a 10% rights offering of 200.47 million shares and 1:1 stock rights of 2.2 billion shares were approved and listed in 2005 and 2007, respectively. In 2007, there were also a share-swap transaction and a follow-on international offering wherein 4.1 billion and 1.8 billion shares, respectively, were issued and listed.

As at December 31, 2015 and 2014, the quoted closing price per share was P16.1 and P22.6, respectively. There are 1,297 holders, which include nominees, of the Company's total issued and outstanding shares as at December 31, 2015. The percentage of the Company's shares of stock owned by the public is 42.04% and 42.47% as at December 31, 2015 and 2014, respectively.

21.2 Additional Paid-in Capital

APIC consists mainly of P21.9 billion from the stock rights offering, share swap transaction and international offering in 2007. In 2014, the Group reissued treasury shares, resulting to an increase in APIC by P783.5 million. There was no similar transaction in 2015.

21.3 Dilution Gain

The movement in dilution gain is a direct result of dilution in the Company's ownership interest in certain subsidiaries when such subsidiaries offer preemptive stock rights, underwent international stock offering, and acquire additional shares, in years prior to 2011.

In 2014, the movement is due to changes in ownership interest in certain subsidiaries.

21.4 Dividends

On August 12, 2015, August 26, 2014 and August 23, 2013, the BOD approved the declaration of cash dividends of P0.31, P0.38 and P0.38 per share, respectively. Total dividends amounting to P3,183.65 million in 2015, P3,902.53 million in 2014 and P3,902.53 million in 2013, were payable to stockholders of record as at September 1, 2015, September 8, 2014 and September 9, 2013, respectively. The said dividends were fully paid on September 14, 2015, September 22, 2014, and September 24, 2013, respectively. The amounts presented in the consolidated statements of changes in equity are net of dividends paid to subsidiaries.

21.5 Share Options

(a) Of the Company

On July 27, 2011, the BOD approved an Executive Share Option Plan (ESOP) for the Company's key executive officers, which was subsequently ratified by the stockholders on September 20, 2011. Under the ESOP, the Company shall initially reserve for exercise of share options up to 300.0 million common shares, or 3% of the outstanding capital stock, which may be issued out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and continue to be exercisable in accordance with terms of issue.

The options shall vest within three years from date of grant (offer date) and the holder may exercise only a third of the option at the end of each year of the three-year vesting period. The vested option may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of the Company's shares for nine months immediately preceding the date of grant.

On December 19, 2011, pursuant to this ESOP, the Company granted share options to certain key executives to subscribe to 46.5 million common shares of the Company, at an exercise price of P9.175. As at December 31, 2015, all of the said options vested but none were exercised.

On March 14, 2013, the Company granted additional 59.1 million share options to certain key executives at an exercise price of P12.9997. As at December 31, 2015, 39.4 million of the said additional options vested and none were exercised.

The fair values of the options granted were estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

		March 2013 Grant		December 2011 Grant
Option life		7 years		7 years
Share price at grant date	P	21.65	P	10.28
Exercise price at grant date	P	12.999	P	9.175
Average fair value at grant date	P	9.18	P	2.70
Average standard deviation of share price returns		35.29%		37.75%
Average dividend yield		2.10%		1.70%
Average risk-free investment rate		2.92%		2.87%

The underlying expected volatility was determined by reference to historical date of the Company's shares over a period of time within the life of the option.

(b) Of Megaworld

On April 26, 2012, Megaworld's BOD approved an ESOP for its key executive officers, and on June 15, 2012, the stockholders adopted it.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from Megaworld. The exercise price shall be at a 15% discount from the volume weighted average closing price of Megaworld's shares for nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2012, Megaworld granted share options to certain key executives to subscribe to 245.0 million of its common shares, at an exercise price of P1.77 per share. As at December 31, 2015, none of the said options vested and exercised.

In 2014, additional share options were granted to certain key executives to subscribe to 35.0 million common shares of the Company at an exercise price of P2.92 per share. As at December 31, 2015, none of the additional options vested and exercised.

(Amounts in Philippine Pesos)

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life		15.29 years
Average share price at grant date	P	2.92
Average exercise price at grant date	P	2.06
Average fair value at grant date	P	1.38
Average standard deviation of share price returns		9.42%
Average dividend yield		0.59%
Average risk-free investment rate		3.65%

The underlying expected volatility was determined by reference to historical date of Megaworld's shares over a period of time consistent with the option life.

(c) Of GERI

On September 23, 2011, the BOD of GERI approved an ESOP for its key executive officers. This was approved on November 8, 2011 by stockholders holding at least 2/3 of the outstanding capital stock. The purpose of the ESOP is to enable the key executives and senior officers of GERI, who are largely responsible for its further growth and development, to obtain an ownership interest and thereby encourage long-term commitment to GERI. The ESOP is being administered by the Executive Compensation Committee of GERI's BOD.

Under the ESOP, GERI shall initially reserve for exercise of share options up to 500.0 million common shares of its outstanding shares to be issued, in whole or in part, out of the authorized but unissued shares. Share options may be granted within 10 years from the adoption of the ESOP and may be exercised within seven years from date of grant. The exercise price shall be at a 15% discount from the volume weighted average closing price of GERI's shares for twelve months immediately preceding the date of grant. The options shall vest within three years from date of grant and the holder of an option may exercise only a third of the option at the end of each year of the three-year period. GERI shall receive cash for the share options.

Pursuant to this ESOP, on February 16, 2012, key executive officers were granted options to subscribe to 100.0 million GERI shares, at an exercise price of P1.93. An option holder may exercise in whole or in part his vested option provided, that, an option exercisable but not actually exercised within a given year shall accrue and may be exercised at any time thereafter but prior to the expiration of said option's life cycle. As at December 31, 2015 and 2014, a total of 200.0 million and 100.0 million options have vested but none of these have been exercised yet by any of the option holders as at the end of both reporting periods.

The fair value of the option granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

	2012 Grant		2013 Grant		2014 Grant		2015 Grant	
Grant date		February 2012		February 2013		March 2014		March 2015
Vesting period ends		February 2015		February 2016		March 2017		March 2018
Option life		7 years		7 years		7 years		7 years
Share price at grant date	P	2.10	P	2.09	P	1.60	P	1.63
Exercise price	P	1.93	P	1.69	P	1.50	P	1.65
Average fair value at grant date	P	2.27	P	0.74	P	0.42	P	0.34
Average standard deviation of share price returns		57.10%		20.85%		16.16%		12.16%
Average risk-free investment rates		2.46%		2.14%		2.46%		2.51%

The underlying expected volatility was determined by reference to historical date of GERI's shares over a period of time consistent with the option life.

(d) *Of EMP*

On November 7, 2014, EMP's BOD approved an ESOP for qualified employees of EMP Group.

The options shall generally vest on the 60th birthday of the option holder and may be exercised until the date of his/her retirement from the Group provided that the employee has continuously served for 11 years after the option offer date. The exercise price shall be at a 15% discount from the volume weighted average closing price of EMP's shares of nine months immediately preceding the date of grant.

Pursuant to this ESOP, on November 6, 2015, EMP granted share options to certain key executives of EDI to subscribe to 118.0 million common shares of EMP at an exercise price of P7.0 per share.

The fair value of the options granted was estimated using a variation of the Black-Scholes valuation model that takes into account factors specific to the ESOP. The following principal assumptions were used in the valuation:

Average option life		20.23 years
Average share price at grant date	P	8.90
Average exercise price at grant date	P	7.00
Average fair value at grant date	P	4.09
Average standard deviation of share price returns		10.24%
Average dividend yield		1.08%
Average risk-free investment rate		4.89%

The underlying expected volatility was determined by reference to historical prices of EMP's shares over a period of one year.

A total of P300.4 million, P313.3 million and P156.8 million share-based executive compensation is recognized and presented as part of Salaries and employee benefits under Other Operating Expenses account in the consolidated statements of comprehensive income for the years 2015, 2014 and 2013, respectively (see Note 27.3), and correspondingly credited to Share Options account under equity, less P0.4 million documentary stamp taxes in 2015.

21.6 Appropriated Retained Earnings

In December 2015, the BOD of GADC appropriated P3.1 billion for the continuing business expansion. Such business expansion projects include construction of new stores, renovation of existing stores, construction of a meat processing plant and a distribution center, store site acquisition and office renovations. The construction of new stores and renovation projects are expected to be completed within a period of three to four months and spread throughout 2016 while the development of meat processing plant and distribution center is currently on-going and is expected to be completed by last quarter of 2016. Acquisition of store sites and office renovations are expected within the second quarter of 2016.

In December 2014 and 2013, GADC appropriated P2.5 billion and P2.1 billion, respectively, for business expansion projects. These have been fully utilized in 2015 and 2014, respectively; hence, appropriations were reversed.

In November 2015, AWGI appropriated portion of its retained earnings amounting to P550.0 million for the rehabilitation of the glass manufacturing plant in 2016.

21.7 Subsidiaries with Material Non-controlling Interest

The subsidiaries with material non-controlling interest (NCI) are shown below (in thousands).

	Proportion of Ownership Interest and Voting Rights Held by NCI		**Subsidiary's Profit Allocated to NCI**	
Name	**2015**	**2014**	**2015**	**2014**
Megaworld	**33%**	33%	**P 3,705,150**	P 3,554,328
Travellers	**53%**	53%	**2,234,931**	2,889,420
GADC	**51%**	51%	**392,659**	408,816
Emperador	**18%**	19%	**1,287,610**	1,150,097

Dividends paid to NCI amounted to P1.9 billion and P1.5 billion in 2015 and 2014, respectively.

The summarized financial information of the subsidiaries, before intragroup elimination, is shown below and in the succeeding page (in thousands).

	December 31, 2015			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 120,509,398	P 50,185,572	P 8,284,094	P 39,065,592
Current assets	131,175,366	19,582,366	6,001,123	59,193,041
Total assets	P 251,684,764	P 69,767,938	P 14,285,217	P 98,258,633
Non-current liabilities	P 80,792,592	P 14,919,190	P 3,047,274	P 8,684,106
Current liabilities	36,478,817	12,828,346	5,891,903	39,488,876
Total liabilities	P 117,271,409	P 27,747,536	P 8,939,177	P 48,172,982
Revenues	P 44,995,660	P 24,602,122	P 20,339,824	P 43,645,077
Profit for the year attributable to:				
Owners of Parent	P 6,869,652	P 1,782,678	P 367,832	P 5,672,446
NCI	3,705,150	2,234,931	392,659	1,287,610
Profit for the year	10,574,802	4,017,609	760,491	6,960,056
Other comprehensive income (loss) attributable to:				
Owners of Parent	(1,635,911)	9,081	46,519	(300,086)
NCI	(799,841)	11,403	48,418	(68,117)
Other comprehensive income (loss) for the year	(2,435,752)	20,484	94,937	(368,203)
Total comprehensive income for the year	P 8,139,050	P 4,038,093	P 855,428	P 6,591,853
Net cash from (used in)				
Operating activities	P 1,649,796	P 6,674,017	P 2,337,407	P 2,699,991
Investing activities	(1 7,970,448)	(9,670,558)	(1,601,984)	(6,197,676)
Financing activities	13,940,766	(2,802,235)	(311,617)	(2,559,402)
Net cash inflow (outflow)	(P 2,379,886)	(P 5,798,776)	P 423,806	(P 6,057,087)

	December 31, 2014			
	Megaworld	Travellers	GADC	Emperador
Non-current assets	P 98,949,337	P 40,802,539	P 7,753,258	P 33,459,388
Current assets	122,090,504	23,078,934	4,978,865	66,099,164
Total assets	P 221,039,841	P 63,881,473	P 12,732,123	P 99,558,552
Non-current liabilities	P 53,363,013	P 14,561,344	P 3,008,644	P 9,376,432
Current liabilities	38,878,035	10,218,819	4,972,288	44,280,122
Total liabilities	P 92,241,048	P 24,780,163	P 7,980,932	P 53,656,554
Revenues	P 53,130,758	P 29,060,300	P 18,416,599	P 31,461,270
Profit for the year attributable to				
owners of Parent	P 18,000,387	P 2,555,653	P 389,139	P 5,054,088
NCI	3,554,328	2,889,420	408,816	1,150,097
Profit for the year	21,554,715	5,445,073	797,955	6,204,185
Other comprehensive income (loss) attributable to:				
Owners of Parent	(1,393,219)	(7,374)	82,345	(1,108,103)
NCI	(7,772)	-	-	-
Other comprehensive income (loss) for the year	(1,400,991)	(7,374)	82,345	(1,108,103)
Total comprehensive income for the year	P 20,153,724	P 5,437,699	P 880,300	P 5,096,082
Net cash from (used in)				
Operating activities	P 1,732,689	P 9,101,516	P 769,965	(P 12,065,480)
Investing activities	(15,009,954)	(10,013,941)	(1,102,498)	(29,991,211)
Financing activities	2,169,707	(7,094,773)	(10,061)	53,251,126
Net cash inflow (outflow)	(P 11,107,558)	(P 8,007,198)	(P 342,594)	P 11,194,435

22. EARNINGS PER SHARE

Earnings per share is computed as follows:

	2015	2014	2013
Basic:			
Net profit attributable to owners of the parent company	**P 13,964,765,317**	P 13,246,243,353	P 17,218,460,867
Divided by the weighted average number of outstanding common shares	**10,269,827,979**	10,138,358,746	10,109,928,996
	P 1.3598	P 1.3065	P 1.7031
Diluted:			
Net profit attributable to owners of the parent company	**P 13,964,765,317**	P 13,246,243,353	P 17,218,460,867
Divided by the weighted average number of outstanding common shares	**10,304,918,222**	10,190,162,998	10,155,705,560
	P 1.3552	P 1.2999	P 1.6954

(Amounts in Philippine Pesos)

As at December 31, 2015, 2014 and 2013, there are 35.1 million, 33.6 million and 31.1 million potentially dilutive shares, respectively, from the Company's ESOP (see Note 21.5). However, such number of dilutive shares has no significant effect on the weighted average number of outstanding common shares and, consequently, has little effect on the 2015, 2014 and 2013 diluted EPS.

23. REVENUES

The breakdown of revenues from sale of goods and rendering of services is presented below.

	Notes	2015	2014	2013
Sale of Goods:				
Revenues from Real Estate sales:				
Real estate (RE) sales	2.15(b,d)	P **27,262,297,450**	P 24,606,554,437	P 22,159,368,696
Realized gross profit on RE sales	2.15(b)	**3,786,994,581**	3,229,266,841	3,234,397,459
Interest income on RE sales	6	**1,677,596,838**	1,671,138,097	1,537,113,091
		32,726,888,869	29,506,959,375	26,930,879,246
Sales of consumer goods	2.15(a)	**44,465,049,936**	32,529,017,862	29,588,090,458
		P **77,191,938,805**	P 62,035,977,237	P 56,518,969,704
Rendering of Services:				
Gaming	2.15(f)	P **24,216,681,861**	P 28,376,733,234	P 30,003,598,507
Sales by company-operated quick-service restaurants	2.15(h)	**18,475,579,809**	16,921,020,974	14,554,160,085
Rental income	14, 29.5	**9,184,772,674**	7,462,668,868	6,396,131,339
Hotel operations	2.15(g)	**3,264,933,286**	2,987,140,694	3,284,305,541
Franchise revenues	2.15(i)	**1,864,243,896**	1,495,577,642	1,256,044,080
Others		**1,475,299,647**	1,315,714,888	1,192,742,897
		P **58,481,511,173**	P 58,558,856,300	P 56,686,982,449

Individual sublicense arrangements granted to franchisees and joint venturers generally include a lease and a license to use the McDonald's system in the Philippines and, in certain cases, the use of restaurant facility, generally for a period of 3 to 20 years provided, however, that should GADC's license rights from McDonald's be terminated at an earlier date or not renewed for any reason whatsoever, these sublicense agreements shall thereupon also be terminated.

Others include income from commissions, construction, cinema operations, property management operations, parking, laundry, arcade, bingo and production shows.

24. COST OF GOODS SOLD AND SERVICES

The components of cost of goods sold and services are as follows:

	Notes	2015	2014	2013
Cost of Goods Sold:				
Cost of consumer goods sold:				
Direct materials used		P **27,351,007,298**	P 28,779,892,005	P 17,585,816,770
Change in work in process and finished goods		**574,114,567**	(9,452,425,808)	1,014,637,574
Salaries and employee benefits	27.1	**758,345,142**	253,613,904	169,133,468
Depreciation and amortization	13, 15	**520,867,517**	370,375,806	308,283,444
Indirect materials and other consumables		**285,586,448**	446,173,945	322,508,207
Outside services		**243,896,811**	225,434,391	154,489,851
Utilities		**199,722,841**	202,545,524	190,111,741
Repairs and maintenance		**118,267,079**	99,947,875	85,629,818
Supplies		**90,219,850**	99,277,030	182,647,176
Taxes and licenses		**45,430,774**	35,878,436	25,303,245
Other direct and overhead costs		**305,065,644**	167,868,314	97,143,797
		30,492,523,971	21,228,581,422	20,135,705,091
Cost of RE sales:	2.15			
Actual costs		**9,520,350,982**	7,762,486,949	6,601,714,543
Estimated costs to complete	2.6	**5,914,591,370**	6,601,382,238	6,412,937,323
		15,434,942,352	14,363,869,187	13,014,651,866
Deferred gross profit on RE sales	2.6	**4,515,385,332**	4,538,218,791	4,446,675,079
		P **50,442,851,655**	P 40,130,669,400	P 37,597,032,036

	Notes	2015	2014	2013
Cost of Services:				
Food, supplies and other consumables		**P 9,232,150,550**	P 8,254,659,729	P 7,099,121,197
Gaming license fees	30.3(c)	**5,308,814,127**	6,203,179,668	6,506,213,809
Salaries and employee benefits	27.1	**5,284,971,588**	4,318,125,264	4,251,992,658
Rental		**3,216,207,324**	3,090,990,551	2,668,711,373
Promotional allowance	2.15	**3,117,567,390**	2,502,976,854	2,533,628,373
Depreciation and amortization	13, 14, 15	**1,365,736,393**	1,312,901,467	1,439,960,917
Outside services		**409,244,645**	243,976,043	313,801,551
Flight operations		**373,707,628**	73,616,115	265,121,683
Casino operating expense		**268,339,360**	485,916,735	494,391,194
Entertainment, amusement and recreation		**63,601,073**	170,790,956	472,324,723
Other direct and overhead costs		**1,523,158,975**	1,437,537,081	1,291,604,610
		P 30,163,499,053	P 28,094,670,463	P 27,336,872,088

Total cost of RE sales pertains to actual and estimated construction costs. A further analysis of these costs follows:

	Notes	2015	2014	2013
Cost of RE sales:	2.15			
Contracted services		**P 12,851,666,636**	P 12,120,803,695	P 11,192,512,055
Land cost		**2,058,899,931**	1,770,144,307	1,398,131,874
Borrowing costs		**331,643,102**	273,887,171	214,099,023
Other development costs		**192,732,683**	199,034,014	209,908,914
		P 15,434,942,352	P 14,363,869,187	P 13,014,651,866

Deferred gross profit on real estate sales pertains to the unrealized portion of gross profit on a year's real estate sales.

Other direct and overhead costs include costs incurred for insurance, waste disposal, meals and various other costs.

25. OTHER OPERATING EXPENSES

The details of other operating expenses are shown below.

	Notes	2015	2014	2013
Advertising and promotions		**P 7,215,923,519**	P 8,838,474,580	P 9,827,324,537
Salaries and employee benefits	21.5, 27.1	**4,722,463,895**	3,906,405,251	3,439,581,167
Depreciation and amortization	13, 15	**2,599,551,395**	2,579,790,544	2,571,234,479
Commissions		**1,182,614,368**	1,097,461,661	938,974,577
Utilities		**1,150,875,287**	765,238,642	1,035,625,419
Professional fees and outside services		**1,093,324,654**	1,084,037,742	675,424,388
Rental	15	**1,077,411,329**	895,129,897	801,880,114
Royalty	29.8	**923,028,088**	862,366,072	743,892,966
Freight and handling		**888,372,559**	914,947,142	822,268,286
Taxes and licenses		**842,717,343**	1,038,518,994	684,837,466
Transportation and travel		**626,245,120**	565,420,089	454,182,827
Management fees	29.4	**471,697,945**	402,665,835	615,688,637
Repairs and maintenance		**405,619,385**	429,023,839	392,919,834
Representation and entertainment		**152,860,046**	132,407,764	150,295,427
Communication and office expenses		**42,312,207**	50,135,251	43,904,963
Impairment of receivables	6	**35,555,627**	55,475,139	1,852,173
Write-down of inventories	8	**15,631,536**	21,973,209	-
Insurance		**7,339,131**	5,456,659	4,707,087
Impairment of property, plant and equipment	13	-	209,995,122	-
Miscellaneous		**2,258,513,285**	2,232,870,587	1,806,208,167
		P 25,712,056,719	P 26,087,776,019	P 25,010,802,514

(Amounts in Philippine Pesos)

These other operating expenses are classified by function as follows:

	2015	2014	2013
General and administrative expenses	**P 15,492,506,948**	P 14,177,420,086	P 11,848,194,095
Selling and marketing expenses	**10,219,549,771**	11,910,355,933	13,162,608,419
	P 25,712,056,719	P 26,087,776,019	P 25,010,802,514

Miscellaneous expenses include expenses incurred for security services, supplies and other consumables, donations, training and development, dues and subscriptions, and various other expenses.

26. OTHER INCOME AND CHARGES

Other income and charges provide details of Finance and Other Income account and Finance Costs and Other Charges account as presented in the statements of comprehensive income.

	Notes	2015	2014	2013
Finance and other income:				
Interest income	5, 7	**P 2,477,581,190**	P 2,589,097,758	P 3,099,675,804
Fair value gains – net	7	**257,633,748**	8,363,512	-
Gain on sale of investments in an associate	12.5	**181,347,731**	-	-
Dividend income		**15,376,038**	20,278,117	14,178,074
Gain on reversal of liabilities		**6,000,000**	121,428,571	160,666,483
Gain on sale of investment in AFS financial assets	11	-	41,859,502	128,177,128
Gain on acquisitions and deconsolidation of subsidiaries	12	**3,758,167**	524,766,704	763,834,597
Preacquisition income		**291,847**	9,150,638	6,315,710
Gain on disposal of PPE, investment properties and intangible assets – net		**1,779,421**	69,298,776	-
Gain on divestment of interest in a subsidiary		-	-	2,905,304,542
Foreign currency gains – net		-	-	2,336,779,018
Gain on refunds		-	-	4,100,270
Miscellaneous – net	6, 8, 13	**212,019,558**	1,303,344,676	754,342,224
		P 3,155,787,700	P 4,687,588,254	P 10,173,373,850
Finance costs and other charges:				
Interest expense	17, 18, 19, 20, 28	**P 4,030,183,353**	P 4,281,446,845	P 4,285,500,975
Foreign currency losses – net		**1,551,620,605**	57,235,428	-
Loss on sale of investment in AFS financial assets	11	**34,615,950**	-	-
Unrealized loss on interest rate swap	20	**30,186,511**	36,405,850	112,842,001
Loss on disposal of PPE, investment properties and intangible assets – net		-	-	37,781,242
Fair value losses – net	7	-	-	429,371,099
Day-one loss on non-current installment contract receivable		-	-	49,995,897
Loss on write-off of property development costs		-	-	27,945,739
Miscellaneous	6, 13	**205,890,592**	80,821,589	65,342,742
		P 5,852,497,011	P 4,455,909,712	P 5,008,779,695

The recognized gain on sale of investment in an associate represents the difference between the proceeds from sale over the carrying amount of the Group's investment in BNHGI, partially sold in 2015 (see Note 12.5), and GSTAI, sold in 2014.

In 2015, GADC acquired 100% ownership over ODC for a total cash consideration of 129.3 million. The transaction resulted in the recognition of gain on acquisition of subsidiary amounting to P3.8 million.

In January 2014, Megaworld acquired additional 16.67% ownership in LFI, increasing its total ownership interest to 66.67%; thereby, obtaining control. The fair value of the identifiable net assets of P3.7 billion exceeded the acquisition cost of P3.6 billion; hence, a gain on acquisition (negative goodwill) of P77.6 million was recognized from the acquisition.

In December 2014, Megaworld also acquired 100% ownership in DPDHI to increase its landbank position in Davao City. The transaction was settled in cash amounting to P495.4 million and a gain on acquisition of P65.1 million was recognized.

In 2014, FEPI sold 40% of its ownership interest in BNHGI. The deconsolidation of BNHGI resulted in the recognition of gain on deconsolidation amounting to P377.5 million (see Note 12.5). Also in 2015, FEPI sold a portion of its investments in BNHGI resulting to a gain amounting to P181.3 million. The sale did not affect the significant influence of the Group over BNHGI.

Also in 2014, AFCMI obtained control over MFGFI and GYACI which resulted to a gain on acquisition amounting to P3.6 million and P1.0 million, respectively.

In August 2013, Megaworld acquired 100% interest in API. The transaction was settled in cash amounting to P3.3 billion, while fair value of the net identifiable assets acquired amounted to P4.1 billion, thereby resulting in a gain on acquisition of subsidiary amounting to P763.8 million.

Also in 2013, the Company sold 1,431.8 million EMP shares for P8.98 per share to third parties. The Company recognized P2,905.3 million gain, net of related costs, from divestment of its interest over EMP.

Miscellaneous income refers to gain on sale of non-current assets, marketing fees and others.

Miscellaneous expenses pertain to amortization of discounts on security deposits, bank charges, impairment loss on receivables and other related fees.

27. SALARIES AND EMPLOYEE BENEFITS

27.1 Salaries and Employee Benefits

Expenses recognized for salaries and employee benefits are presented below.

	Notes	**2015**	2014	2013
Short-term employee benefits		**P 9,990,150,534**	P 7,854,178,380	P 7,437,580,212
Post-employment defined benefit	27.2	**475,185,920**	310,622,207	266,310,249
Share option benefit expense	21.5, 27.3 29.10	**300,444,171**	313,343,832	156,816,832
		P 10,765,780,625	P 8,478,144,419	P 7,860,707,293

These are classified in the consolidated statements of comprehensive income as follows:

	Notes	**2015**	2014	2013
Cost of goods sold	24	**P 758,345,142**	P 253,613,904	P 169,133,468
Cost of services	24	**5,284,971,588**	4,318,125,264	4,251,992,658
Other operating expenses	25	**4,722,463,895**	3,906,405,251	3,439,581,167
		P 10,765,780,625	P 8,478,144,419	P 7,860,707,293

27.2 Post-employment Defined Benefit

(a) Characteristics of the Defined Benefit Plan

Except for Megaworld, GERI, GADC, EDI and WML, the Company and all other subsidiaries have no established corporate retirement plans. Travellers, AWGI and TEI compute its retirement obligation based on the provisions of Republic Act (R.A.) No. 7641, *The Retirement Pay Law*. The amounts of retirement benefit expense and obligation were actuarially determined using the projected unit credit method for those with corporate retirement plans and those retirement plans following R.A. 7641. Whereas, the Company and the other subsidiaries within the Group have not accrued any post-employment benefit obligation as each entity has less than 10 employees.

The Group's management believes that the non-accrual of the estimated post-employment benefits will not have any material effect on the Group's consolidated financial statements.

Megaworld, EDI and WML maintains a funded, tax-qualified, noncontributory retirement plan that is being administered by each trustee bank covering all regular and full-time employees. GERI has an unfunded, noncontributory defined benefit plan covering all regular employees. GERI's plan provides for a lump-sum benefit equal to 85% to 150% of the employees monthly salary for every year of qualified duration of service. GADC has a funded, defined contribution retirement plan covering all regular and full-time employees, which allows voluntary employee contribution.

(Amounts in Philippine Pesos)

(b) *Explanation of Amounts Presented in the Financial Statements*

Actuarial valuations are made annually to update the post-employment benefit costs and the amount of contributions. All amounts presented below and in the succeeding pages are based on the actuarial valuation reports obtained from independent actuaries in 2015 and 2014.

The amounts of retirement benefit obligation as of the end of the reporting periods, presented as non-current liability in the consolidated statements of financial position, are determined as follows:

	2015	2014
Present value of the obligation	P 12,904,284,510	P 13,636,601,974
Fair value of plan assets	(11,038,183,769)	(10,899,926,023)
	P 1,866,100,741	P 2,736,675,951

The movements in the present value of retirement benefit obligation are as follows:

	2015	2014
Balance at beginning of year	P 13,636,601,974	P 1,801,290,300
Remeasurement gains (losses)	(1,011,864,498)	418,216,168
Current service and interest costs	773,308,860	425,414,798
Effects of foreign currency adjustment	7,846,290	34,463,804
Availment of sabbatical leave	(2,132,264)	(3,224,060)
Additions due to consolidation of new subsidiary	-	11,040,689,757
Effect of curtailment	-	(44,002)
Benefits paid by the plan	(499,475,852)	(80,204,791)
Balance at end of year	P 12,904,284,510	P 13,636,601,974

The movements in the fair value of plan assets of funded retirement plans of the Group are presented below.

	2015	2014
Balance at beginning of year	P 10,899,926,023	P 373,197,625
Contributions paid into the plan	340,000,000	85,932,306
Actual return on plan assets	387,601,222	464,969,512
Actuarial gain (loss)	(118,865,632)	5,186,056
Foreign exchange adjustment	14,140,851	-
Additions due to consolidation of new subsidiary	-	10,048,744,142
Benefits paid by the plan	(484,618,695)	(78,103,618)
Balance at end of year	P 11,038,183,769	P 10,899,926,023)

The plan assets of Megaworld pertaining only to cash and cash equivalents amounted to P140.6 million and P114.1 million as at December 31, 2015 and 2014, respectively. The plan assets of EMP and GADC in 2015 and 2014 consist of the following:

	2015	2014
Investments in:		
Other securities and debt instruments	64.54%	65.87%
Long-term equity investments	28.24%	27.03%
Unit investment trust fund	1.02%	1.72%
Cash and cash equivalents	1.22%	0.47%
Property	4.97%	4.90%
Loans and receivables	0.01%	0.01%
	100.00%	100.00%

Actual returns in 2015 and 2014 amounted to P387.6 million and P465.0 million, respectively.

The fair value of the plan assets is at Level 1 in the fair value hierarchy except for loans and receivables and property which are at Level 3.

The amounts of post-employment benefits expense recognized as part of Salaries and Employee Benefits in profit or loss (see Note 27.1) and other comprehensive income are as follows:

	2015	2014	2013
Reported in profit or loss:			
Current service cost	**P 475,185,920**	P 325,213,109	P 255,590,445
Remeasurement gain	**-**	(14,546,900)	-
Curtailment gain	**-**	(44,002)	-
Past service cost	**-**	-	10,719,804
	P 475,185,920	P 310,622,207	P 266,310,249
Reported in OCI:			
Actuarial gains (losses) arising from changes in:			
Financial assumptions	**P 852,331,941**	(P 832,416,099)	(P 18,003,255)
Demographic assumptions	**9,325,795**	(18,374,487)	74,738,227
Experience adjustments	**29,485,586**	412,104,547	(17,644,865)
Return on plan assets (excluding amounts in net interest expense)	**(3,824,909)**	24,530,803	(29,220,312)
	887,318,413	(414,155,236)	9,869,795
Tax income (expense)	**(206,483,118)**	86,813,531	(6,932,192)
	P 680,835,295	(P 327,341,705)	P 2,937,603

In 2015 and 2014, post-employment benefits expense amounting to P179.0 million and P18.2 million were incurred for WML's defined contribution plan, respectively, and thus will not be included in the current service cost presented under the movement of post-employment benefit obligation.

The amounts of post-employment benefits expense are included as part of Salaries and employee benefits account under Other Operating Expenses in the consolidated statements of comprehensive income.

In determining the post-employment benefit obligation, the following actuarial assumptions were used:

	2015	2014
Discount rates	**3.55% - 5.40%**	3.58% - 7.81%
Expected rates of salary increases	**4.00% - 10.00%**	4.00% - 10.00%

Assumptions regarding future mortality are based on published statistics and mortality tables. The discount rates assumed were based on the yields of long-term government bonds, as of the valuation dates. The applicable period used approximate the average years of remaining working lives of the Group's employees.

(c) *Risks Associated with the Retirement Plan*

The plan exposes the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk.

(i) *Investment and Interest Risks*

Discount rate determined by reference to market yields of government bonds. Generally, a decrease in the interest rate of a reference government bonds will increase the plan obligation. However, this will be partially offset by an increase in the return on the plan's investments in debt securities and if the return on plan asset falls below this rate, it will create a deficit in the plan.

Currently, the plans have relatively balanced investment in cash and cash equivalents, equity securities and debt securities. Due to the long-term nature of the plan obligation, a level of continuing equity investments is an appropriate element of the Group's long-term strategy to manage the plan efficiently.

(ii) *Longevity and Salary Risks*

The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment, and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

(Amounts in Philippine Pesos)

(d) *Other Information*

(i) *Sensitivity Analysis*

The information on the sensitivity analysis for certain significant actuarial assumptions, the Group's asset-liability matching strategy, and the timing and uncertainty of future cash flows related to the retirement plan are described below.

	Change in Assumption	Maximum Impact on Post-employment Obligation: Increase in Assumption	Maximum Impact on Post-employment Obligation: Decrease in Assumption
December 31, 2015			
Discount rate	+/-0.5% to +/-14.3%	(P 791,165,042)	P 750,361,047
Salary increase rate	+/-1.0% to +/-11.0%	459,982,085	(268,342,730)
December 31, 2014			
Discount rate	+/-0.5% to +/-14.3%	(P 724,954,895)	P 799,937,291
Salary increase rate	+/-1.0% to +/-13.2%	382,348,444	(320,891,162)

The sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. This analysis may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. Furthermore, in presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation recognized in the consolidated statements of financial position.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous years.

(ii) *Asset-liability Matching Strategies*

The Group, through its BOD, envisions that the investment positions shall be managed in accordance with its asset-liability matching strategy to achieve that long-term investments are in line with the obligations under the retirement scheme. This aims to match the plan assets to the retirement obligations by investing in equities and maintaining cash and cash equivalents that match the benefit payments as they fall due and in the appropriate currency.

(iii) *Funding Arrangements and Expected Contributions*

The plan is currently underfunded by P1,866.1 million based on the Group's latest actuarial valuation. While there are no minimum funding requirement in the country, the size of the underfunding may pose a cash flow risk in about 23 years' time when a significant number of employees is expected to retire.

The maturity profile of undiscounted expected benefit payments from the plan as at December 31 are as follows:

	2015	2014
Within one year	P 371,687,523	P 352,312,483
More than one year to five years	1,223,854,206	1,228,723,006
More than five years to 10 years	1,287,297,395	1,253,781,185
More than ten years to 15 years	662,634,444	757,040,080
More than 15 years to 20 years	1,166,762,031	1,202,180,504
More than 20 years	21,590,449,193	24,886,513,583
	P 26,302,684,792	P 29,680,550,841

The Group expects to contribute in 2016, P12.0 million and P40.0 million to the retirement plan maintained for Megaworld and GADC, respectively. GERI and EMP have yet to decide the amount of future contributions to their existing retirement plans.

27.3 Share Option Benefits

The Group's share option benefit expense includes the amounts recognized by the Company, Megaworld, GERI and EMP over the vesting period of the options granted by them (see Note 21.5). Options for 285.9 million shares and 95.8 million shares have vested as at December 31, 2015 and 2014, respectively. Share option benefits expense, included as part of Salaries and Employee Benefits amounted to P300.4 million in 2015, P313.3 million in 2014 and P156.8 million in 2013 (see Note 27.1).

28. TAXES

28.1 Current and Deferred Taxes

The tax expense (income) reported in the consolidated statements of comprehensive income for the years ended December 31 are as follows:

	2015	2014	2013
Reported in consolidated profit or loss			
Current tax expense:			
Regular corporate income tax (RCIT) at 30% and 10%	**P 3,917,658,855**	P 3,923,667,182	P 4,030,414,576
Final tax at 20% and 7.5%	**103,732,980**	138,822,313	225,256,736
Minimum corporate income tax (MCIT) at 2%	**23,850,865**	164,745,654	29,429,810
Preferential tax rate at 5%	**19,247,898**	58,117,064	27,592,034
Others	**41,356,179**	138,327,833	75,941,268
	4,105,846,777	4,423,680,046	4,388,634,424
Deferred tax expense relating to origination and reversal of temporary differences	**1,134,807,429**	1,102,765,005	968,122,673
	P 5,240,654,206	P 5,526,445,051	P 5,356,757,097
Reported in consolidated other comprehensive income -			
Deferred tax expense (income) relating to origination and reversal of temporary differences	**P 227,444,114**	(P 117,498,049)	P 22,204,044

ECOC, SEDI and Travellers are Philippine Economic Zone Authority - registered entities which are entitled to 5% preferential tax rate on gross income from registered activities in lieu of all local and national taxes and to other tax privileges.

In November 2011, the Board of Investments approved SPI's application for registration on a certain project. SPI is entitled to income tax holiday for three years from November 2011 or actual start of commercial operations/selling, whichever is earlier but in no case earlier than the date of registration, with certain terms.

The reconciliation of tax on consolidated pretax income computed at the applicable statutory rates to consolidated tax expense is as follows:

	2015	2014	2013
Tax on consolidated pretax income at 30%	**P 8,078,118,494**	P 7,990,840,254	P 8,523,671,095
Adjustment for income subjected to different tax rates	**(329,600,325)**	(2,450,052,961)	(1,598,765,848)
Tax effects of:			
Income not subject to RCIT	**(8,254,918,534)**	(6,453,316,654)	(9,233,947,881)
Nondeductible expenses	**5,871,926,109**	6,294,003,108	7,106,788,376
Tax benefit arising from unrecognized deferred tax asset	**355,488,785**	503,607,237	572,841,777
Additional deduction with the use of Optional Standard Deduction (OSD)	**(558,234,820)**	(488,708,892)	(38,707,207)
Others	**77,874,497**	130,072,959	24,876,785
Tax expense reported in consolidated profit or loss	**P 5,240,654,206**	P 5,526,445,051	P 5,356,757,097

(Amounts in Philippine Pesos)

The deferred tax assets and liabilities as at December 31 presented in the consolidated statements of financial position relate to the following:

	2015	2014	2013
Deferred tax assets:			
Retirement benefit obligation	P **356,887,221**	P 403,758,306	P 389,030,740
MCIT	**150,733,088**	146,272,494	23,317,621
Allowance for impairment losses	**122,298,594**	110,753,187	177,764,052
Accrued rent	**32,995,141**	36,213,490	35,755,872
Net operating loss carry-over (NOLCO)	**16,281,073**	9,874,627	48,333,454
Allowance for inventory write-down	**18,484,887**	19,724,387	13,183,799
Unrealized income – net	**13,771,175**	7,091,727	4,635,851
Others	**40,106,946**	42,147,748	36,538,273
	P 751,558,125	P 775,835,966	P 728,559,662
Deferred tax liabilities – net:			
Uncollected gross profit	**P 8,884,257,510**	P 7,617,315,708	P 6,305,622,637
Brand valuation	**1,797,409,000**	1,994,428,801	-
Capitalized interest	**1,431,498,138**	998,345,338	1,160,842,521
Fair value adjustment	**363,554,500**	426,376,168	-
Unrealized foreign currency losses (gains) – net	**(667,367,207)**	(323,118,182)	(262,572,657)
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**258,790,669**	234,176,793	198,812,638
Translation adjustments	**(96,732,669)**	(117,693,665)	(87,005,067)
Uncollected rental income	**7,882,177**	29,427,068	91,493,961
Retirement benefit obligation	**(245,597,333)**	-	-
Others	**(145,957,617)**	(600,191,965)	(164,714,655)
	P 11,587,737,168	P 10,259,066,064	P 7,242,479,378

The deferred tax expense reported in the consolidated statements of comprehensive income is shown below.

	Consolidated Profit or Loss			Consolidated Other Comprehensive Income		
	2015	2014	2013	**2015**	2014	2013
Deferred tax expense (income):						
Uncollected gross profit	**P1,266,941,802**	P1,694,029,381	P1,233,164,179	P -	P -	P -
Brand valuation	**(197,019,801)**	-	-	-	-	-
NOLCO	**(6,406,446)**	(38,458,827)	(137,055,561)	-	-	-
Retirement benefit obligation	**46,871,085**	(98,417,399)	(104,000,889)	**206,483,118**	(86,813,531)	6,932,192
Capitalized interest	**433,152,800**	(111,644,539)	25,462,745	-	-	-
Uncollected rental income	**(21,544,891)**	(69,636,728)	52,193,683	-	-	-
Accrued rent	**3,218,349**	(10,064,742)	(12,359,135)	-	-	-
MCIT	**(4,460,594)**	(122,954,873)	(7,508,969)	-	-	-
Allowance for impairment losses	**11,545,407**	(92,789,582)	(3,534,794)	-	-	-
Difference between the tax reporting base and financial reporting base of property, plant and equipment	**24,613,876**	35,364,155	(1,353,981)	-	-	-
Unrealized foreign currency gains - net	**(344,249,025)**	(60,343,457)	(127,032)	-	-	-
Translation adjustments	**-**	-	-	**20,960,996**	(30,688,598)	15,271,852
Fair value adjustments on AFS	**(62,821,668)**	(2,817,304)	-	-	4,080	-
Others	**(15,033,465)**	(19,501,080)	(76,757,573)	-	-	-
Deferred tax expense (income)	**P1,134,807,429**	P1,102,765,005	P 968,122,673	**P 227,444,114**	(P 117,498,049)	P 22,204,044

The details of NOLCO, which can be claimed as deduction from the respective subsidiaries' future taxable income within three years from the year the loss was incurred, are shown below.

Year	Original Amount	Applied	Expired Balance	Remaining Balance	Valid Until
2015	P 781,418,741	P -	P -	P 781,418,741	2018
2014	1,506,737,734	-	-	1,506,737,734	2017
2013	2,687,139,654	(549,872,998)	-	2,137,266,656	2016
2012	1,877,606,500	(1,815,638,881)	(61,967,619)	-	
	P 6,852,902,629	(P 2,365,511,879)	(P 61,967,619)	P 4,425,423,131	

Some companies of the Group are subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations. The details of MCIT, which can be applied as deduction from the entities' respective future RCIT payable within three years from the year the MCIT was paid, are shown below.

Year Incurred	Original Amount	Expired	Remaining Balance	Valid Until
2015	P 20,890,523	P -	P 20,890,523	2018
2014	164,033,596	-	164,033,596	2017
2013	21,496,190	-	21,496,190	2016
2012	22,482,523	(22,482,523)	-	
	P 228,902,832	(P 22,482,523)	P 206,420,309	

The following summarizes the amount of NOLCO and other deductible temporary differences as at the end of 2015, 2014 and 2013 for which the related deferred tax assets (liabilities) – net have not been recognized by certain subsidiaries within the Group based on their assessments that the related tax benefits may not be realized within the prescriptive period.

	2015		2014		2013	
	Amount	**Tax Effect**	Amount	Tax Effect	Amount	Tax Effect
NOLCO	**P4,371,152,888**	**P1,311,345,866**	P 3,575,943,355	P 1,072,783,007	P 4,961,352,403	P 1,488,405,721
Unrealized loss on interest rate swap	**561,969,185**	**168,590,756**	856,134,049	256,840,215	1,137,998,386	341,399,516
Unrealized foreign currency losses – net	**547,769,984**	**164,330,995**	45,480,627	13,644,188	(12,578,916)	(3,773,675)
Share-based compensation	**175,780,739**	**52,734,222**	130,877,036	39,263,111	264,469,448	79,340,834
Retirement benefit obligation	**73,391,230**	**22,017,369**	57,895,901	17,368,770	49,435,000	14,830,500
MCIT	**55,087,856**	**55,087,856**	55,859,616	55,859,616	65,098,838	65,098,838
Allowance for inventory write-down	**496,529**	**148,959**	483,969	145,191	312,718	93,815
ARO	**300,867**	**90,260**	-	-	-	-
Allowance for impairment	**28,167**	**8,450**	-	-	24,385,645	7,315,694
Accrued rent	**-**	**-**	-	-	6,627,877	1,988,363
	P5,785,977,445	**P1,774,354,733**	P 4,722,674,553	P 1,455,904,098	P 6,497,101,399	P 1,994,699,606

28.2 Optional Standard Deduction

Corporate taxpayers have an option to claim itemized deductions or OSD equivalent to 40% of gross sales. Once the option to use OSD is made, it shall be irrevocable for that particular taxable year.

In 2015, 2014 and 2013, the companies within the Group opted to continue claiming itemized deductions in computing for its income tax due except for EDI which opted to claim OSD in 2015 and 2014, and AWGI and MDC for 2015, 2014 and 2013.

(Amounts in Philippine Pesos)

28.3 Taxation of Casino Operations

Under the Provisional License Agreement with PAGCOR, Travellers is subject to 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. The license fees are directly remitted by the Company to PAGCOR as required under the Provisional License Agreement. Unpaid license fees as of year-end is recorded as Gaming license fees payable presented under Trade and Other Payables in the consolidated statements of financial position (see Note 16).

In April 2013, however, the Bureau of Internal Revenue (BIR) issued RMC 33-2013 declaring that PAGCOR, its contractees and its licensees are no longer exempt from corporate income tax under the National Internal Revenue Code of 1997, as amended.

In May 2014, PAGCOR issued Guidelines for a 10% income tax allocation (ITA) measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively, inasmuch as 10% of the license fees was allocated for income tax on gaming, subject to quarterly and annual true-up mechanisms obliging the licensees to remit to PAGCOR any savings from the excess of the 10% ITA over the actual income tax paid on the gaming revenues [see Note 30.3(c)].

29. RELATED PARTY TRANSACTIONS

The Group's related parties include its stockholders, associates, jointly controlled entities, the Group's key management personnel and retirement fund, and others as described below.

The summary of the Group's transactions with its related parties as of and for the years ended December 31, 2015, 2014 and 2013 are as follows:

Related Party Category	Notes	Amount of Transaction 2015	2014	2013	Outstanding Balance 2015	2014
Parent Company and subsidiaries' stockholders:						
Redeemable preferred shares	19	P -	P -	P -	P 671,367,358	P 596,431,722
Casino transactions	29.3	2,878,377,127	7,941,612,756	9,911,409,089	31,319,430	289,395,342
Incidental rebate charges	29.3	155,568,762	1,946,203,700	2,653,102,036	142,750,108	168,093,697
Management fees	29.4	376,529,493	315,469,747	562,848,779	44,043,669	31,711,184
Issuance of ELS	20	-	5,280,000,000	-	5,280,000,000	5,280,000,000
Accounts payable	29.8	9,000,000	114,474,692	258,174,697	378,170,512	369,170,512
Related party under common ownership:						
Purchase of raw materials	29.1	3,014,462,087	4,654,005,633	418,361,736	1,200,024,526	1,616,937,584
Purchase of imported goods	29.1	4,686,357	3,475,578	146,501,368	207,002	160,919
Acquisition of assets	29.2	-	-	1,072,522,335	-	-
Sales of investment	29.5	-	5,000,000	-	-	-
Advances granted	29.7	1,553,845,244	(572,143,376)	903,799,948	2,691,119,370	1,137,274,126
Associates –						
Advances granted	29.7	2,996,218	273,273,910	(58,995,675)	1,280,778,127	1,277,781,909
Others:						
Receivable from joint venture	29.6	-	-	22,797,613	-	-
Accounts receivable	29.8	(1,559,905,766)	118,991,964	43,939,262	273,130,005	1,833,035,771
Accounts payable	29.8	(173,165,011)	(586,491,844)	149,466,365	52,159,300	225,324,311
Advances from joint venture partners and others	29.9	588,008,586	549,044,994	(502,295,497)	1,491,160,829	903,152,243

Unless otherwise stated, the outstanding balance of the Group's transactions with its related parties are unsecured, noninterest-bearing and payable on demand.

29.1 Purchase of Goods

Emperador imports raw materials such as alcohol, flavorings and other items through Andresons Global, Inc. (AGL). There are also finished goods purchased through AGL and from Consolidated Distillers, Inc. (Condis) (for 2013). These transactions are payable in cash within 30 days.

Emperador also imports raw materials from Alcoholera dela Mancha Vinicola, S.L., a wholly owned subsidiary of BLC, now considered a related party under common control in 2014.

The outstanding liability related to these purchases is presented as part of Trade payables under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.2 Acquisition of Assets

In 2013, GADC acquired building and leasehold improvements from McDonald's Philippines Realty Corporation (MPRC), with outstanding liability amounting to P196.6 million as at December 31, 2013. The amount was settled in full in 2014.

In 2013, Emperador acquired and fully paid the distillery facilities of Condis, which include the following assets:

	Notes		
Property, plant and equipment	13	P	756,990,993
Inventories	8		140,578,342
		P	897,569,335

No similar transactions occurred in both 2015 and 2014.

29.3 International Marketing and Joint Co-operation Agreement with Genting Hongkong, Ltd. (GHL)

In 2009, Travellers entered into an international marketing agreement with GHL whereby GHL will handle the promotion of Travellers' casinos and will bring in foreign patrons to play in its casinos. As a consideration for such services, Travellers shall pay GHL an amount equivalent to a certain percentage of gross gaming revenues recognized by Travellers from foreign patrons brought in by GHL.

In 2012, Travellers and GHL terminated the international marketing agreement and executed a joint co-operation agreement to revise the consideration for the services of GHL to Travellers from a certain percentage of gross gaming revenues to a certain percentage of net turnover.

In 2015, Travellers and GHL discontinued the joint co-operation agreement.

Incidental rebate charges arising from this transaction are presented as part of Advertising and promotions under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding balances of payables are presented as part of Trade payables under the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

Travellers also recognized outstanding receivables from GHL representing show money received by GHL from foreign patrons which GHL will later remit to Travellers. The outstanding balances of receivables are presented as part of Trade receivables under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

29.4 Operations and Management Agreement with GHL

Some of Travellers' administrative functions are being handled by certain key officers and employees under the management of GHL as agreed by both parties under the Operations and Management Agreement. Management fees are presented as part of Management fees under the Other Operating Expenses account in the consolidated statements of comprehensive income (see Note 25). The outstanding liability arising from this transaction is presented as part of Accrued expenses in the Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

29.5 Sale of Investment in GSTAI

In 2014, Travellers sold its investment in GSTAI to a related party under common ownership. There is no outstanding receivable arising from this transaction in 2014.

29.6 Receivable from a Joint Venture

Receivables from GCFII are unsecured, interest free and normally settled in cash. These are included in Trade receivables under the Trade and Other Receivables account in the consolidated statements of financial position.

In 2014, GADC made additional investment in GCFII resulting to an increase in ownership interest from 50% to 60%, thus obtaining control. The outstanding amount of receivables from GCFII in 2014 was eliminated in full.

(Amounts in Philippine Pesos)

29.7 Advances to Associates and Other Related Parties

Entities within the Group grant advances to associates and other entities for working capital purposes. These advances to associates and other related parties are unsecured, noninterest-bearing and repayable upon demand. Settlement is generally made in cash or through offsetting arrangements. The outstanding balances of Advances to associates and other related parties, which are shown as part of Investments in and Advances to Associates and Other Related Parties account in the consolidated statements of financial position, are presented as follows (these mainly represent advances granted by Megaworld) [see Note 12.1]:

	2015	2014
Associates	P 1,280,778,127	P 1,277,781,909
Other related parties	2,691,119,370	1,137,274,126
	P 3,971,897,497	P 2,415,056,035

The movements of the Advances to Associates and Other Related Parties account are as follows:

	2015	2014
Balance at beginning of year	P 2,415,056,035	P 2,713,925,501
Cash advances granted	1,557,034,759	959,713,523
Collections	(193,297)	(1,258,582,989)
Balance at end of year	P 3,971,897,497	P 2,415,056,035

As at December 31, 2015 and 2014, based on management's assessment, the outstanding balances of advances to associates and other related parties are not impaired; hence, no impairment losses were recognized.

29.8 Due from/to Related Parties

Transactions with related parties include the following: financing of opening of letters of credit and payment of progress billing, royalty fees, rentals, interest and certain expenses in behalf of the entities within Group or other related parties. The amounts due from and to related parties are unsecured, noninterest-bearing and due and demandable any time. Settlement is generally made in cash or through offsetting arrangements.

The outstanding balances of Due from/to Related Parties are presented under Trade and Other Receivables (see Note 6) and Trade and Other Payables (see Note 16) accounts, respectively, in the consolidated statements of financial position as follows:

	2015	2014
Due from Related Parties		
Officers and employees	P 199,519,892	P 135,041,717
Other related parties	73,610,113	1,697,994,054
	P 273,130,005	P 1,833,035,771
Due to Related Parties		
Stockholder	P 378,170,512	P 369,170,512
Other related parties	52,159,300	225,324,311
	P 430,329,812	P 594,494,823

The details of the due from/to related parties are as follows:

	2015	2014
Due from Related Parties		
Balance at beginning of year	P 1,833,035,771	P 1,239,264,958
Additions	200,760,828	1,658,605,190
Collections	(1,760,666,594)	(1,064,834,377)
Balance at end of year	P 273,130,005	P 1,833,035,771
Due to Related Parties		
Balance at beginning of year	P 594,494,823	P 1,295,411,359
Additions	55,545,720	3,380,511
Repayments	(219,710,731)	(704,297,047)
Balance at end of year	P 430,329,812	P 594,494,823

McDonald's granted GADC the nonexclusive right to adopt and use the McDonald's System in its restaurant operations in the Philippines. In March 2005, the license agreement was renewed for another 20 years, and provides for a royalty fee based on certain percentage of net sales from the operations of GADC's restaurants, including those operated by the franchisees. GADC recognized royalty expenses amounting to P923.0 million, P862.4 million and PP743.9 million for 2015, 2014 and 2013, respectively (see Note 25). The outstanding payable to McDonald's relating to royalty expenses amounted to P159.8 million and P133.9 million as at December 31, 2015 and 2014, respectively, and presented as part of Due to Related Parties under Trade and Other Payables account in the consolidated statements of financial position (see Note 16).

GADC leases a warehouse and nine restaurant premises from MPRC, a company owned by MRO. The lease terms are for periods which are co-terminus with the lease agreements entered into by GADC with the owners of the land where the warehouse and restaurants are located. Except for the warehouse for which a fixed annual rental of P10.0 million is charged, rentals charged by MPRC to GADC are based on agreed percentages of gross sales of each store. Rental charged to operations amounted to P2.0 million and P1.8 million in 2015 and 2014, respectively. The outstanding balance of this transaction amounted to P0.1 million as at December 31, 2015.

As at December 31, 2015 and 2014, based on management's assessment, the outstanding balances of Due from officers and employees and related parties are not impaired, hence, no impairment losses were recognized.

29.9 Non-current Advances from Related Parties

Certain expenses of entities within the Group are paid for by other related parties. The advances are unsecured, noninterest-bearing, with no repayment terms, and generally payable in cash or through offsetting arrangements. Due to JV partners pertain to the share of JV partners in the proceeds from the sale in accordance with various JV agreements entered into by GERI. Total outstanding balance of the accounts is presented as Advances from Related Parties account in the consolidated statements of financial position.

Details of Advances from Related Parties are presented as follows:

	2015	2014
Advances from related parties	**P 981,359,395**	P 578,860,332
Advances from joint venture partners	**509,801,434**	324,291,911
	P 1,491,160,829	P 903,152,243

29.10 Key Management Personnel Compensation

The compensation of key management personnel is broken down as follows (see Note 27.1):

	2015	2014	2013
Short-term employee benefits	**P 598,151,482**	P 532,622,621	P 625,867,278
Share-option benefit expense	**295,951,143**	313,343,832	156,816,832
Retirement benefits expense	**44,846,176**	44,186,742	35,289,335
	P 938,948,801	P 890,153,195	P 817,973,445

29.11 Transactions with the Retirement Plans

The Group has a formal retirement plan established separately for each significant subsidiary, particularly Megaworld, GERI, GADC, EDI and WML. These plans are defined benefit post-employment plan maintained for qualified employees, administered and managed by trustee banks (except for GERI which is still an unfunded plan). The carrying amount and the composition of the plan assets as at December 31, 2015 and 2014 are shown in Note 27.2.

Unit investment trust fund and equity and debt securities, which are included as plan assets under the fund consist of investments in corporations listed in the PSE. The retirement fund neither provides any guarantee or surety for any obligation of the Group. The retirement fund also does not have any investments in the Group's shares of stock.

(Amounts in Philippine Pesos)

30. COMMITMENTS AND CONTINGENCIES

30.1 Operating Lease Commitments – Group as Lessor

The Group is a lessor under non-cancellable operating lease agreements covering certain office and commercial spaces. The leases have terms ranging from 3 to 20 years, with renewal options, and include annual escalation rate of 5% to 10%.

Future minimum lease receivables under these leases as of December 31 are as follows:

	2015	2014	2013
Within one year	**P 8,249,672,567**	P 7,100,714,265	P 6,158,808,873
After one year but not more than five years	**44,341,754,362**	35,657,874,236	30,278,029,365
More than five years	**14,314,334,326**	11,299,924,365	9,897,419,368
	P 66,905,761,255	P 54,058,512,866	P 46,334,257,606

30.2 Operating Lease Commitments – Group as Lessee

The Group is a lessee under several operating leases covering condominium units for administrative use. The leases have terms ranging from 1 to 40 years, with renewal options, and include a 5% to 10% annual escalation rate.

The future minimum rental payables under these non-cancellable leases as of the end of the reporting periods are as follows:

	2015	2014	2013
Within one year	**P 375,258,419**	P 151,425,413	P 326,051,985
After one year but not more than five years	**875,894,424**	367,182,124	666,739,701
More than five years	**1,316,633,971**	351,605,599	440,589,644
	P 2,567,786,814	P 870,213,136	P 1,433,381,330

30.3 Provisional License Agreement of Travellers with PAGCOR

On June 2, 2008, PAGCOR issued a Provisional License (License) authorizing Travellers to participate in the integrated tourism development project in two sites and to establish and operate casinos, and engage in gaming activities in the two sites. The term of Travellers' License shall be co-terminus with PAGCOR's franchise which will expire on July 11, 2033, and shall be renewed subject to the terms of the PAGCOR Charter.

(a) Investment Commitments

Under the terms of the License, Travellers and WCRWI are required to complete its U.S.$1.3 billion (about P61.3 billion) investment commitment in phases, which amount is divided into Site A and Site B with the minimum investment of U.S.$1.1 billion (about P51.9 billion) and U.S.$216.0 million (about P10.2 billion), respectively (collectively, the Project).

Travellers and WCRWI are required to fully invest and utilize in the development of the Project at least 40% of the respective phases of the investment commitment for Site A and Site B within two years from Site Delivery.

As a requirement in developing the aforementioned Project, Travellers transferred U.S.$100.0 million (about P4.7 billion) to an escrow account with a local bank mutually agreed by PAGCOR and Travellers. At any given time, the escrow account shall have a maintaining balance of not lower than U.S.$50.0 million (about P2.4 billion) (see Note 5). For failure to comply with such maintaining balance requirement after a 15-day grace period, Travellers shall be charged by PAGCOR an amount equal to P2.5 million for every 15 calendar days until the noncompliance is corrected. All funds for the development of the Project shall pass through the escrow deposit and all drawdown therefrom must be applied to the Project.

As at December 31, 2015, Travellers has spent P49.3 billion for its casino projects pursuant to its investment commitment under the License. It has short-term placements amounting to U.S.$62.8 million (P3.0 billion) as at December 31, 2015 and 2014 to meet its requirements with PAGCOR in relation to this investment commitments (see Note 5).

(b) *Requirement to Establish a Foundation*

Travellers, in compliance with the requirement of PAGCOR to incorporate and register a foundation for the restoration of cultural heritage, incorporated Manila Bayshore Heritage Foundation, Inc. (or the Foundation) on September 7, 2011 primarily to engage in various activities for charitable, educational, cultural and artistic purposes, and to promote, perpetuate, preserve and encourage Filipino culture.

The Foundation shall be funded by Travellers by setting aside funds on a monthly basis. The funds set aside shall be remitted to the foundation on or before the 10th day of the succeeding month. Travellers has recognized accrual, based on 2% of total gross gaming revenues from non-junket tables.

As at December 31, 2015, Travellers remitted donations for the current and prior years. The Foundation has started to undertake certain construction and school projects in Pasay and Parañaque cities in partnership with the Philippine Department of Education (DepEd). As at December 31, 2015, three school buildings in various public secondary and elementary schools in Metro Manila were completed and turned over to DepEd, while two other school buildings were being constructed.

In June 2015, the Foundation entered into a computerization project with DepEd, providing computer laboratory each to 6 public secondary schools in the National Capital Region as part of Phase 1 and five public elementary and secondary schools in Luzon as part of Phase 2. As at December 31, 2015, both phases of the said project have already been completed.

Further, the Foundation, in its joint effort with another PAGCOR licensee's foundation, signed an agreement to fund the construction of a cadet barracks at the Philippine Military Academy in Baguio City. The project remains in progress as at December 31, 2015.

(c) *Tax Contingencies of Casino Operations*

The PAGCOR Charter grants PAGCOR an exemption from taxes, income or otherwise, as well as exemption from any form of charges, fees, or levies, except for the 5% franchise tax on gross revenue or earnings derived by PAGCOR on its casino operations. On February 29, 2012, the BIR issued a circular which affirmed the nonexemption from corporate income taxation of PAGCOR by virtue of the amendment of R.A. 9337 of Section 27(c) of the National Internal Revenue Code of 1997.

Under the Travellers' License with the PAGCOR, Travellers is subject to the 25% and 15% license fees, in lieu of all taxes, with reference to the income component of the gross gaming revenues. In May 2014, PAGCOR issued Guidelines for a 10% ITA measure whereby, effective April 1, 2014, the 25% and 15% license fees were effectively reduced to 15% and 5%, respectively (see Note 28.3).

On December 10, 2014, the SC en banc issued a Decision in the case of PAGCOR v. BIR, *G.R. No. 215427*, confirming that income from gaming operations is subject only to 5% franchise tax, in lieu of all other taxes, under P.D. No. 1869, as amended. The BIR's Motion for Reconsideration of the foregoing pronouncement was denied with finality in a resolution issued by the SC dated March 10, 2015.

Management is of the opinion that the similar case pending with the SC will result in a positive outcome, considering the unequivocal SC declaration in the PAGCOR v. BIR, *G.R. No. 215427* that income from gaming operations is subject only to 5% franchise tax, in lieu of all taxes.

Upon finality of the resolution/decision of such case, the 10% ITA measure shall cease to be effective, and the license fees shall automatically revert to the original 25% and 15% rates as indicated in the Provisional License Agreement, in accordance with paragraphs (b) and/or (c) of the foregoing ITA measure.

In view of the foregoing, no provision has been recognized in the consolidated financial statements as at the end of the reporting periods for those periods not covered by the ITA measure.

30.4 Participation in the Incorporation of Entertainment City Estate Management, Inc. (ECEMI)

As a PAGCOR licensee, the Group committed itself to take part in the incorporation of ECEMI in 2012, a non-stock, non-profit entity that shall be responsible for the general welfare, property, services and reputation of the Bagong Nayong Pilipino Entertainment City Manila. As at December 31, 2015 and 2014, contributions made to ECEMI booked in favor of the Group amounted to P2.1 million and is presented as part of Others under Trade and Other Receivables account in the consolidated statements of financial position (see Note 6).

(Amounts in Philippine Pesos)

30.5 Others

As at December 31, 2015, EELHI and SPI have unused lines of credit from certain banks and financial institutions totaling to P3.1 billion while as at December 31, 2014, EELHI and Travellers have unused lines of credit totaling to P7.2 billion.

There are other commitments, guarantees and contingent liabilities that arise in the normal course of operations of the Group which are not reflected in the accompanying consolidated financial statements. The management of the Group is of the opinion that losses, if any, from these items will not have any material effect on its consolidated financial statements.

31. RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial instruments such as cash and cash equivalents, financial assets at FVTPL, AFS financial assets, interest-bearing loans, bonds payable, trade receivables and payables and derivative asset and liabilities which arise directly from the Group's business operations. The financial debts were issued to raise funds for the Group's capital expenditures.

The Group does not actively engage in the trading of financial assets for speculative purposes.

The Group is exposed to a variety of financial risks in relation to financial instruments. The main types of risks are market risk, credit risk and liquidity risk.

31.1 Market Risk

(a) *Foreign Currency Sensitivity*

Most of the Group's transactions are carried out in the functional currencies of the individual subsidiaries making the transactions. The currency exchange risk arises from transactions carried out in currencies other than the functional currency of the subsidiaries.

Foreign currency denominated financial assets and liabilities, translated into Philippine pesos at period-end closing rate are as follows:

	2015		2014	
	U.S. Dollars	**HK Dollars**	U.S. Dollars	HK Dollars
Financial assets	P 10,145,546,404	P 1,813,558,543	P 26,693,102,110	P 1,912,550,620
Financial liabilities	(39,079,558,751)	(383,663,971)	(68,385,830,251)	(671,284,910)
	(P 28,934,012,347)	**P 1,429,894,572**	(P 41,692,728,141)	P 1,241,265,710

The sensitivity of the consolidated income before tax for the period with regard to the Group's financial assets and the U.S. dollar – Philippine peso exchange rate assumes +/- 6.95% and +/- 7.71% changes in exchange rate for the years ended December 31, 2015 and 2014, respectively. The HK dollar – Philippine peso exchange rate assumes +/- 6.97% and +/- 7.63% changes for the year ended December 31, 2015 and 2014. These percentages have been determined based on the average market volatility in exchange rates in the previous year and 12 months, respectively, estimated at 95% level of confidence. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each reporting periods.

If the Philippine peso had strengthened against the U.S. dollar, with all other variables held constant, consolidated profit before tax would have increased by P2.0 billion and P3.2 billion for the years ended December 31, 2015 and 2014, respectively. If in 2015 and 2014, the Philippine peso had strengthened against the HK dollar, with all other variables held constant, consolidated profit before tax would have decreased by P0.1 billion and P0.1 billion, respectively.

However, if the Philippine peso had weakened against the U.S. dollar and the HK dollar by the same percentages; then consolidated income before tax would have changed at the opposite direction by the same amount.

The Group periodically reviews the trend of the foreign exchange rates and, as a practical move, increases its U.S. dollar-denominated time deposits in times when the Philippine peso is depreciating or decreases its U.S. dollar-denominated placements in times when the Philippine peso is appreciating.

Exposures to foreign exchange rates vary during the period depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's currency risk.

(b) Interest Rate Sensitivity

The Group interest risk management policy is to minimize interest rate cash flow risk exposures to changes in interest rates. At present, the Group is exposed to changes in market interest rates through bank borrowings and cash and cash equivalents, which are subject to variable interest rates. The Group maintains a debt portfolio unit of both fixed and variable interest rates. All other financial assets are subject to variable interest rates.

The sensitivity of the consolidated income before tax for the period to a reasonably possible change in interest rates of +/- 0.81% for Philippine peso and +/- 0.53% and U.S. dollar in 2015 and +/-0.83% for Philippine peso and +/-0.03% for U.S. dollar in 2014 with effect from the beginning of the period. These percentages have been determined based on the average market volatility in interest rates, using standard deviation, in the previous year and 12 months, respectively, estimated at 95% level of confidence.

The sensitivity analysis is based on the Group's financial instruments held as at December 31, 2015 and 2014, with effect estimated from the beginning of the period. All other variables held constant, the consolidated income before tax would have increased by P0.9 billion and P0.7 billion for the years ended December 31, 2015 and 2014, respectively. Conversely, if the interest rates decreased by the same percentage, consolidated income before tax would have been lower by the same amount.

31.2 Credit Risk

Generally, the Group's credit risk is attributable to trade and other receivable arising mainly from transactions with approved franchisees, installment receivables, rental receivables and other financial assets. The carrying values of these financial assets subject to credit risk are disclosed in Note 32.

The Group maintains defined credit policies and continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. Where available at a reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Franchisees are subject to stringent financial, credit and legal verification process. In addition, accounts receivable are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The Group's policy is to deal only with creditworthy counterparties. In addition, for a significant portion of sales, advance payments are received to mitigate credit risk.

With respect to credit risk arising from the other financial assets of the Group, composed of cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Cash in banks are insured by the Philippine Deposit Insurance Corporation up to a maximum coverage of P500,000 per depositor per banking institution.

Trade and other receivables that are past due but not impaired are as follows:

	2015	2014
Not more than 30 days	**P 2,366,208,718**	P 6,057,980,911
31 to 60 days	**1,791,680,836**	1,365,362,281
Over 60 days	**2,040,211,996**	1,075,817,654
	P 6,198,101,550	P 8,499,160,846

31.3 Liquidity Risk

The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash outflows due in a day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 30-day projection. Long-term liquidity needs for a 6-month and one-year period are identified monthly. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of loans, bonds, and preferred shares.

The Group maintains cash to meet its liquidity requirements for up to 60-day periods. Excess cash are invested in time deposits, mutual funds or short-term marketable securities. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets. In addition, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fund raising activities may include bank loans and capital market issues.

(Amounts in Philippine Pesos)

As at December 31, 2015, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P31,409,266,533	P 5,004,055,500	P -	P -
Interest-bearing loans	7,037,872,022	21,981,362,227	27,712,275,240	1,358,754,578
Bonds payable	488,168,100	488,168,100	47,720,324,913	7,941,219,038
ELS	-	-	6,738,766,650	-
Advances from related parties	-	-	1,998,248,486	-
Redeemable preferred shares	-	-	-	2,832,147,248
Security deposits	85,641,580	-	44,518,983	137,841,065
Derivative liabilities	10,782,959	-	614,964,522	-
Other liabilities	154,165,026	-	-	-
	P39,185,896,220	P27,473,585,827	P84,829,098,794	P12,269,961,929

As at December 31, 2014, the Group's financial liabilities have contractual maturities which are presented below.

	Current		Non-current	
	Within 6 Months	6 to 12 Months	1 to 5 Years	Later than 5 Years
Trade and other payables	P30,312,159,497	P 4,740,592,169	P -	P -
Interest-bearing loans	25,587,778,814	1,072,797,634	6,966,234,589	1,080,183,150
Bonds payable	5,461,785,950	461,785,950	44,245,200,955	7,505,468,158
ELS	-	-	6,738,766,650	-
Advances from related parties	-	-	384,565,490	-
Redeemable preferred shares	-	-	1,257,987,900	1,574,159,348
Security deposits	102,003,672	-	26,663,649	102,100,032
Derivative liabilities	233,751,463	-	-	-
Other liabilities	146,729,480	-	-	-
	P61,844,208,876	P 6,275,175,753	P59,619,419,233	P10,261,910,688

The contractual maturities reflect the gross cash flows, which may differ from the carrying values of the liabilities at the end of the reporting period.

31.4 Other Price Risk Sensitivity

The Group's market price risk arises from its investments carried at fair value (financial assets classified as AFS financial assets). It manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

For equity securities listed in the Philippines, the observed volatility rates of the fair values of the Group's investments held at fair value and their impact on the equity as at December 31, 2015 and 2014 are summarized as follows:

	Observed Volatility Rates		Impact on Equity	
	Increase	Decrease	Increase	Decrease
2015 - Investment in equity securities	**+26.31%**	**-26.31%**	**P34,500,401**	**(P34,5 00,401)**
2014 - Investment in equity securities	+20.82%	-20.82%	P 463,852,651	(P 463,852,651)

The maximum additional estimated loss in 2015 and 2014 is to the extent of the carrying value of the securities held as of these reporting dates with all other variables held constant. The estimated change in quoted market price is computed based on volatility of listed companies at the PSE for the past 12 months at 95% confidence level.

The investments in listed equity securities are considered long-term strategic investments. In accordance with the Group's policies, no specific hedging activities are undertaken in relation to these investments. The investments are continuously monitored and voting rights arising from these equity instruments are utilized in the Group's favor.

32. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amounts and fair values of the categories of financial assets and financial liabilities presented in the consolidated statements of financial position are shown below.

	Notes	2015 Carrying Values	2015 Fair Values	2014 Carrying Values	2014 Fair Values
Financial assets					
Loans and receivables:					
Cash and cash equivalents	5	**P68,593,959,027**	**P68,593,959,027**	P 82,058,836,647	P 82,058,836,647
Trade and other receivables	6	**70,856,800,739**	**70,856,800,739**	63,663,499,864	63,663,499,864
Other financial assets	9	**2,230,731,170**	**2,230,731,170**	1,824,034,893	1,824,034,893
		P 141,681,490,936	**P 141,681,490,936**	P 147,546,371,404	P 147,546,371,404
Financial assets at FVTPL:					
Marketable debt and equity securities	7	**P 8,071,599,462**	**P 8,071,599,462**	P 4,351,221,441	P 4,351,221,441
AFS Financial Assets:					
Debt securities	11	**P 1,868,193,490**	**P 1,868,193,490**	P 3,717,359,428	P 3,717,359,428
Equity securities	11	**320,535,687**	**320,535,687**	2,254,727,700	2,254,727,700
		P 2,188,729,177	**P 2,188,729,177**	P 5,972,087,128	P 5,972,087,128
Financial Liabilities					
Financial liabilities at FVTPL -					
Derivative liabilities	20	**P 625,747,481**	**P 625,747,481**	P 1,268,699,964	P 1,268,699,964
Financial liabilities at amortized cost:					
Current					
Trade and other payables	16	**P34,438,121,175**	**P34,438,121,175**	P 33,906,586,092	P 33,906,586,092
Interest-bearing loans	17	**28,704,613,782**	**28,704,613,782**	26,660,576,448	26,660,576,448
Bonds payable	18	-	-	5,000,000,000	5,000,000,000
Other current liabilities		**292,779,105**	**292,779,105**	28,860,610	28,860,610
		P63,435,514,062	**P63,435,514,062**	P 65,596,023,150	P 65,596,023,150
Financial liabilities at amortized cost:					
Non-current					
Bonds payable	18	**P54,719,727,451**	**P54,719,727,451**	P 51,687,525,333	P 51,687,525,333
Interest-bearing loans	17	**29,071,029,819**	**29,071,029,819**	8,038,681,649	8,038,681,649
ELS	20	**5,259,137,443**	**5,259,137,443**	5,253,911,638	5,253,911,638
Redeemable preferred shares	19	**1,929,355,258**	**1,929,355,258**	1,854,419,622	1,854,419,622
Due to related parties	29	**1,491,160,829**	**1,491,160,829**	903,152,243	903,152,243
Security deposits		**377,907,641**	**377,907,641**	337,740,865	337,740,865
		P92,848,318,441	**P92,848,318,441**	P 68,075,431,350	P 68,075,431,350

See Notes 2.4 and 2.12 for a description of the accounting policies for each category of financial instrument. A description of the Group's risk management objectives and policies for financial instruments is provided in Note 31.

33. FAIR VALUE MEASUREMENT AND DISCLOSURES

33.1 Fair Value Hierarchy

The hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

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

(Amounts in Philippine Pesos)

The level within which the financial asset or financial liability is classified is determined based on the lowest level of significant input to the fair value measurement.

For purposes of determining the market value of Level 1, a market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing services, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

33.2 Financial Instruments Measurements at Fair Value

The table below shows the fair value hierarchy of the Group's classes of financial assets and financial liabilities measured at fair value in the consolidated statements of financial position on a recurring basis as at December 31, 2015 and 2014.

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL:				
Debt and equity securities	P 8,071,599,462	P -	P -	P 8,071,599,462
AFS financial assets:				
Debt securities	1,868,193,490	-	-	1,868,193,490
Equity securities	131,135,359	63,680,000	125,720,328	320,535,687
	P10,070,928,311	P 63,680,000	P 125,720,328	P10,260,328,639
Financial liability:				
Financial liability at FVTPL - Derivative liabilities	P 625,747,481	P -	P -	P 625,747,481

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Financial assets at FVTPL -				
Debt and equity securities	P 4,351,221,441	P -	P -	P 4,351,221,441
AFS financial assets:				
Debt securities	3,717,359,428	-	-	3,717,359,428
Equity securities	2,024,370,210	63,160,000	167,197,490	2,254,727,700
	P10,092,951,079	P 63,160,000	P 167,197,490	P 10,323,308,569
Financial liability:				
Financial liability at FVTPL - Derivative liabilities	P 1,268,699,964	P -	P -	P 1,268,699,964

There were neither transfers between Levels 1 and 2 nor changes in Level 3 instruments in both years.

Described below and in the succeeding page are the information about how the fair values of the Company's classes of financial assets are determined.

(a) Equity securities

As at December 31, 2015 and 2014, instruments included in Level 1 comprise equity securities classified as financial assets at FVTPL or AFS financial assets. These securities were valued based on their market prices quoted in various stock exchanges at the end of each reporting period.

Golf club shares classified as AFS financial assets are included in Level 2 as their prices are not derived from market considered as active due to lack of trading activities among market participants at the end or close to the end of the reporting period. Moreover, equity security held in a private company is included in Level 3 since its market value is not quoted in an active market, hence, measured by reference to the fair value of a comparable instrument adjusted for inputs internally developed by management to consider the differences in corporate profile and historical performance of the entity.

(b) Debt securities

The fair value of the Group's debt securities which consist of corporate bonds is estimated by reference to quoted bid price in active market (i.e., Stock Exchange) at the end of the reporting period and is categorized within Level 1.

33.3 Financial Instruments Measured at Amortized Cost for Which Fair Value is Disclosed

The table below shows the fair value hierarchy of the Company's classes of financial assets and financial liabilities measured at fair value in the statements of financial position on a recurring basis as at December 31, 2015 and 2014.

	2015			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P68,593,959,027	P -	P -	P68,593,959,027
Trade and other receivables	-	-	70,856,800,739	70,856,800,739
Other financial assets	-	-	2,230,731,170	2,230,731,170
	P 68,593,959,027	P -	P 73,087,531,909	P141,681,490,936
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P34,438,121,175	P34,438,121,175
Interest-bearing loans	-	-	28,704,613,782	28,704,613,782
Other current liabilities	-	-	292,779,105	292,779,105
Non-current:				
Bonds payable	54,719,727,451	-	-	54,719,727,451
Interest-bearing loans	-	-	29,071,029,819	29,071,029,819
ELS	-	-	5,259,137,443	5,259,137,443
Redeemable preferred shares	-	-	1,929,355,258	1,929,355,258
Due to related parties	-	-	1,491,160,829	1,491,160,829
Security deposits	-	-	377,907,641	377,907,641
	P 54,719,727,451	P -	P101,564,105,052	P156,283,832,503

	2014			
	Level 1	Level 2	Level 3	Total
Financial assets:				
Cash and cash equivalents	P82,058,836,647	P -	P -	P 82,058,836,647
Trade and other receivables	-	-	63,663,499,864	63,663,499,864
Other financial assets	-	-	1,824,034,893	1,824,034,893
	P82,058,836,647	P -	P65,487,534,757	P147,546,371,404
Financial liabilities:				
Current:				
Trade and other payables	P -	P -	P33,906,586,092	P33,906,586,092
Interest-bearing loans	-	-	26,660,576,448	26,660,576,448
Bonds payable	5,000,000,000	-	-	5,000,000,000
Other current liabilities	-	-	28,860,610	28,860,610
Non-current:				
Bonds payable	51,687,525,333	-	-	51,687,525,333
Interest-bearing loans	-	-	8,038,681,649	8,038,681,649
ELS	-	-	5,253,911,638	5,253,911,638
Redeemable preferred shares	-	-	1,854,419,622	1,854,419,622
Due to related parties	-	-	903,152,243	903,152,243
Security deposits	-	-	337,740,865	377,907,641
	P56,687,525,333	P -	P 76,983,929,167	P 133,671,454,500

(Amounts in Philippine Pesos)

For financial assets and financial liabilities with fair values included in Level 1, management considers that the carrying amounts of those short-term financial instruments approximate their fair values.

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above which are not traded in an active market is determined by using generally acceptable pricing models and valuation techniques or by reference to the current market value of another instrument which is substantially the same after taking into account the related credit risk of counterparties, or is calculated based on the expected cash flows of the underlying net asset base of the instrument.

When the Group uses valuation technique, it maximizes the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in Level 2. Otherwise, it is included in Level 3.

33.4 Investment Property Measured at Cost for which Fair Value is Disclosed

The fair value of the Megaworld's investment property, except for investment properties of API, and LFI's investment properties, was determined by calculating the present value of the cash inflows anticipated until the life of the investment property using a discount rate of 10%. The fair value of API and LFI's investment properties was determined by independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. In estimating the fair value of these properties, management takes into account the market participant's ability to generate economic benefits by using the assets in their highest and best use. Based on management assessment, the best use of the Groups investment property is their current use.

As at December 31, 2015 and 2014, the fair value of the Group's investment property amounted to P207.1 billion and P172.9 billion, respectively (see Note 14) and is classified within Level 3 of the fair value hierarchy. The Level 3 fair value of the investment property was determined using the income approach which is performed with values derived using a discounted cash flow model. The income approach uses future free cash flow projections and discounts them to arrive at a present value. The discount rate is based on the level of risk of the business opportunity and costs of capital. The most significant inputs into this valuation approach are the estimated annual cash inflow and outgoing expenses, anticipated increase in market rental, discount rate and terminal capitalization rate.

Also, there were no transfers into or out of Level 3 fair value hierarchy in 2015 and 2014.

34. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group's capital management objective is to ensure its ability to continue as a going concern; to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk; and to maintain strong and healthy financial position to support its current business operations and drive its expansion and growth in the future.

The Group monitors capital on the basis of the carrying amount of equity as presented on the face of the consolidated statements of financial position. The Group sets the amount of capital in proportion to its overall financing structure, i.e., equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

It monitors capital using the debt to equity ratio as shown below.

	2015	2014
Total liabilities	**P 217,536,560,396**	P 192,135,508,222
Equity attributable to owners of the parent company	**137,056,497,134**	126,470,464,979
Debt-to-equity ratio	**P 1.59:1**	P 1.52:1

The Group has complied with its covenant obligations, including maintaining the required debt-to-equity ratio for both periods.

35. SUBSEQUENT EVENTS

On November 27, 2015, GES reached a definitive agreement with Beam Suntory Inc. to purchase its Spanish brandy and sherry business in Jerez, the brandy capital of Spain. The purchase includes four brands: Fundador Brandy, Terry Centenario Brandy, Tres Cepas Brandy, and Harveys sherry wine. GES assigned its rights and obligations under the agreement to its direct wholly-owned subsidiary, Bodegas Fundador S.L.U. on January 28, 2016. The purchase amounting to €275.0 million was subsequently completed on February 29, 2016 (See Note 9).

CORPORATE INFORMATION

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DATE OF PUBLIC LISTING
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