Metro Pacific Investments Corporation

Parent Company Financial Statements
December 31, 2015 and 2014

and

Independent Auditors' Report

A member firm of Ernst & Young Global Limited

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Metro Pacific Investments Corporation

Report on the Parent Company Financial Statements

We have audited the accompanying parent company financial statements of Metro Pacific Investments Corporation, which comprise the parent company statements of financial position as at December 31, 2015 and 2014, and the parent company statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Parent Company Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the parent company 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 parent company 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 parent company financial statements.

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

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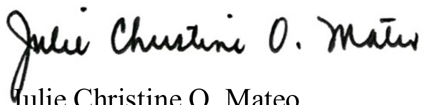
Opinion

In our opinion, the parent company financial statements present fairly, in all material respects, the financial position of Metro Pacific Investments Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

The supplementary information required under Revenue Regulations 15-2010 for purposes of filing with the Bureau of Internal Revenue is presented by the management of Metro Pacific Investments Corporation in a separate schedule. Revenue Regulations 15-2010 require the information to be presented in the notes to parent company financial statements. Such information is not a required part of the basic financial statements. The information is also not required by Securities Regulation Code Rule 68, As Amended (2011). Our opinion on the basic financial statements is not affected by the presentation of the information in a separate schedule.

SYCIP GORRES VELAYO & CO.



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March 1, 2016

A member firm of Ernst & Young Global Limited

METRO PACIFIC INVESTMENTS CORPORATION
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5, 22 and 23)	**₱3,462,860**	₱4,088,103
Receivables (Notes 6, 22 and 23)	**875,882**	97,805
Due from related parties (Notes 12, 22 and 23)	**16,588**	45,336
Other current assets (Note 7)	**688,795**	296,437
	5,044,125	4,527,681
Assets held for sale (Note 21)	**1,479,711**	1,369,712
Total Current Assets	**6,523,836**	5,897,393
Noncurrent Assets		
Investments and advances (Note 8)	**133,971,360**	94,904,953
Other noncurrent assets (Note 9)	**597,657**	967,341
Total Noncurrent Assets	**134,569,017**	95,872,294
	₱141,092,853	₱101,769,687
LIABILITIES AND EQUITY		
Current Liabilities		
Accrued expenses and other current liabilities (Notes 10, 16, 22 and 23)	**₱1,380,647**	₱816,986
Income tax payable (Note 18)	**58**	2,272
Due to related parties (Notes 12, 22 and 23)	**8,809,540**	7,546,588
Current portion of long-term debt (Notes 11, 22 and 23)	**382,121**	64,800
Total Current Liabilities	**10,572,366**	8,430,646
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 11, 22 and 23)	**29,296,237**	6,318,000
Deferred tax liability (Note 18)	**486,563**	483,334
Other noncurrent liabilities (Note 13)	**3,429,506**	702,237
Total Noncurrent Liabilities	**33,212,306**	7,503,571
Total Liabilities	**43,784,672**	15,934,217
Equity (Note 14)		
Capital stock	**27,935,374**	26,096,271
Additional paid-in capital	**49,980,484**	42,992,763
Equity reserves	**90,786**	115,662
Other comprehensive income (loss) reserve	**17,296**	(9,554)
Retained earnings	**19,284,241**	16,640,328
Total Equity	**97,308,181**	85,835,470
	₱141,092,853	₱101,769,687

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands Except Earnings Per Share Figures)

	Years Ended December 31	
	2015	2014
REVENUES		
Dividend income (Note 8)	**₱7,269,419**	₱6,749,546
Interest income (Note 17)	**99,418**	159,821
	7,368,837	6,909,367
OPERATING EXPENSES (Note 15)	**(1,314,124)**	(1,514,558)
INTEREST EXPENSE (Notes 8, 11, 12 and 17)	**(1,470,529)**	(673,329)
OTHER INCOME (EXPENSES) - Net (Note 17)	**2,068**	5,461,120
INCOME BEFORE INCOME TAX	**4,586,252**	10,182,600
PROVISION FOR CURRENT INCOME TAX (Note 18)	**20,560**	17,945
NET INCOME	**4,565,692**	10,164,655
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Change in fair value of available-for-sale financial assets (Note 9)	**1,000**	1,000
Reclassified to profit or loss (Notes 9 and 17)	**–**	(222,322)
Income tax effect (Notes 9, 17 and 18)	**–**	24,798
	1,000	(196,524)
Items that will not be reclassified subsequently to profit or loss:		
Actuarial losses on defined benefit plans (Note 16)	**29,079**	(13,262)
Income tax effect (Note 18)	**(3,229)**	–
	25,850	(13,262)
	26,850	(209,786)
TOTAL COMPREHENSIVE INCOME	**₱4,592,542**	₱9,954,869
EARNINGS PER SHARE (Note 20)		
Basic Earnings Per Common Share	**₱0.165**	₱0.390
Diluted Earnings Per Common Share	**₱0.165**	₱0.390

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(Amounts in Thousands)

				Other Comprehensive Income Reserve				
	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Equity Reserves (Note 14)	Change in Fair Value of Available-for-sale Financial Assets (Note 9)	Actuarial Gain /(Loss) (Note 16)	Total	Retained Earnings (Note 14)	Total
At January 1, 2015	**₱26,096,271**	**₱42,992,763**	**₱115,662**	**₱5,000**	**(₱14,554)**	**(₱9,554)**	**₱16,640,328**	**₱85,835,470**
Total comprehensive income for the year:								
Net income	–	–	–	–	–	–	**4,565,692**	**4,565,692**
Other comprehensive income	–	–	–	**1,000**	**25,850**	**26,850**	–	**26,850**
Executive Stock Option Plan (ESOP) (Note 19):								
Exercise of stock option	**27,103**	**80,571**	**(30,264)**	–	–	–	–	**77,410**
Cost of ESOP	–	–	**21,065**	–	–	–	–	**21,065**
Transaction costs	–	**(135)**	–	–	–	–	–	**(135)**
Expiration of ESOP		**10,314**	**(15,677)**	–	–	–	**5,363**	–
Equity raising	**1,812,000**	**6,896,971**	–	–	–	–	–	**8,708,971**
Cash dividends declared (Note 14)	–	–	–	–	–	–	**(1,927,142)**	**(1,927,142)**
At December 31, 2015	**₱27,935,374**	**₱49,980,484**	**₱90,786**	**₱6,000**	**₱11,296**	**₱17,296**	**₱19,284,241**	**₱97,308,181**
At January 1, 2014	₱26,075,974	₱42,933,309	₱80,516	₱201,524	(₱1,292)	₱200,232	₱8,773,465	₱78,063,496
Total comprehensive income for the year:								
Net income	–	–	–	–	–	–	10,164,655	10,164,655
Other comprehensive income	–	–	–	(196,524)	(13,262)	(209,786)	–	(209,786)
Executive Stock Option Plan (ESOP) (Note 19):								
Exercise of stock option	20,297	59,556	(21,430)	–	–	–	–	58,423
Cost of ESOP	–	–	56,576	–	–	–	–	56,576
Transaction costs	–	(102)	–	–	–	–	–	(102)
Cash dividends declared (Note 14)	–	–	–	–	–	–	(2,297,792)	(2,297,792)
At December 31, 2014	₱26,096,271	₱42,992,763	₱115,662	₱5,000	(₱14,554)	(₱9,554)	₱16,640,328	₱85,835,470

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION

PARENT COMPANY STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱4,586,252**	₱10,182,600
Adjustments for:		
Dividend income (Notes 8 and 24)	**(7,269,419)**	(6,749,546)
Interest expense (Note 17)	**1,470,529**	673,329
Long Term Incentive Plan (LTIP) expense (Note 15)	**247,928**	194,832
Interest income (Note 17)	**(99,418)**	(159,821)
Depreciation and amortization (Notes 9 and 15)	**41,123**	42,780
Provision for doubtful accounts (Notes 6 and 15)	**21,440**	–
ESOP expense (Notes 15 and 19)	**16,720**	49,944
Excess of pension expense over actual contribution	**4,432**	211
Foreign exchange loss - net (Note 17)	**842**	11,065
Gain on dilution of interest in subsidiary (Notes 8 and 21)	**–**	(4,200,892)
Gain on sale of investments (Notes 8 and 21)	**–**	(944,993)
Gain on sale of available-for-sale (AFS) financial assets (Note 17)	**–**	(222,322)
Reversal of excess accrual (Notes 10 and 17)	**–**	(26,966)
Gain on sale of real estate	**–**	(4,774)
Other income	**–**	(1,767)
Other expense	**23,745**	–
Operating loss before working capital changes	**(955,826)**	(1,156,320)
Decrease (increase) in:		
Receivables	**(11,305)**	(11,869)
Due from related parties	**28,648**	251,391
LTIP deposits	**(21,764)**	(213,855)
Other current assets	**(21,231)**	(65,260)
Increase (decrease) in:		
Due to related parties	**500**	(2,937)
Accrued expenses and other current liabilities	**(35,828)**	270,566
Net cash used in operations	**(1,016,806)**	(928,284)
Dividends received (Notes 8 and 24)	**4,318,733**	2,365,101
Interest paid	**(1,085,000)**	(494,005)
Interest received	**96,223**	85,905
Income tax paid	**(20,502)**	(17,762)
Net cash from operating activities	**2,292,648**	1,010,955

(Forward)

	Years Ended December 31	
	2015	2014
CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES		
Acquisitions of/additions to:		
Investments and advances (Note 8)	**(₱32,948,497)**	(₱9,983,368)
Additions to assets held for sale	**(110,000)**	–
Property and equipment (Note 9)	**(5,917)**	(26,232)
Software costs (Note 9)	**(2,066)**	(630)
Collections/proceeds from sale of:		
AFS financial assets (Note 9)	–	458,584
Investments and advances (Note 8)	–	3,896,111
Proceed from the exchangeable bond (Note 21)	–	6,532,905
Decrease in other noncurrent assets	–	(14,199)
Net cash from (used in) investing activities	**(33,066,480)**	863,171
CASH FLOWS FROM (USED IN) FINANCING ACTIVITIES		
Proceeds from:		
Loan availment	**23,500,000**	–
Issuance of shares (Note 14)	**8,878,800**	–
Subscription arising from exercise of stock option (Notes 14 and 19)	**77,410**	58,423
Payments of/for:		
Transaction costs related to issuance of shares (Note 14)	**(169,965)**	(102)
Debt issue costs	**(119,872)**	–
Long-term debt (Note 11)	**(89,800)**	(64,800)
Dividends paid (Note 14)	**(1,927,142)**	(2,297,792)
Net cash provided by (used in) financing activities	**30,149,431**	(2,304,271)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(842)**	(11,065)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(625,243)**	(441,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**4,088,103**	4,529,313
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱3,462,860**	₱4,088,103

See accompanying Notes to Parent Company Financial Statements.

METRO PACIFIC INVESTMENTS CORPORATION
NOTES TO PARENT COMPANY FINANCIAL STATEMENTS

1. **Corporate Information**

Metro Pacific Investments Corporation (the Company or MPIC) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 20, 2006 as an investment holding company. MPIC's common shares of stock are listed in and traded through the Philippine Stock Exchange (PSE). On August 6, 2012, MPIC launched Sponsored Level 1 American Depositary Receipt (ADR) Program with Deutsche Bank as the appointed depositary bank in line with the Company's thrust to widen the availability of its shares to investors in the United States.

MPIC was 52.1% and 55.8% owned by Metro Pacific Holdings, Inc. (MPHI) as at December 31, 2015 and 2014, respectively. The reduction of MPHI's economic interest in MPIC resulted from an overnight equity placement on February 9, 2015 (see Note 14).

MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0% interest), Intalink B.V. (26.7% interest) and First Pacific International Limited (FPIL) (13.3% interest). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40% equity interest in EIH and investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group companies in Hong Kong.

The registered office address of the Company is 10th Floor, MGO Building, Legaspi corner Dela Rosa Streets, Legaspi Village, Makati City.

The accompanying parent company financial statements as at and for the years ended December 31, 2015 and 2014 were approved and authorized for issuance by the Board of Directors (BOD) on March 1, 2016.

2. **Summary of Significant Accounting Policies**

Basis of Preparation

The separate or parent company financial statements are prepared on a historical cost basis, except for certain available-for-sale (AFS) financial assets that are measured at fair value. The parent company financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency, and all values are rounded to the nearest thousand peso (₱000) except when otherwise indicated. The parent company financial statements are prepared for submission to the Bureau of Internal Revenue (BIR) and the Philippine SEC.

The Company also prepares and issues consolidated financial statements for the same period as the parent company financial statements, presented in compliance with Philippine Financial Reporting Standards (PFRS). Metro Pacific Investments Corporation and its subsidiaries (collectively referred to as the "Group") also files its consolidated financial statements with the Philippine SEC.

Statement of Compliance

The parent company financial statements are prepared in compliance with PFRS.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS and Philippine Interpretation effective January 1, 2015. Adoption of the following standards did not have any impact on the parent company's financial statements:

- PAS 19, Employee Benefits – *Defined Benefit Plans: Employee Contributions (Amendments)* — PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service.

- *Annual Improvements to PFRSs (2010-2012 cycle).* The Annual Improvements to PFRSs (2010-2012 cycle) include:

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

  b. PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination* — The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32, *Financial Instruments: Presentation.* Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39. The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Company shall consider the amendment for future business combinations.

  c. PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets* — The amendments are applied retrospectively and clarify that: an entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'; and the reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities. The Company has not applied the aggregation criteria in PFRS 8 paragraph 12.

  d. PAS 16, *Property, Plant and Equipment* and PAS 38*, Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization* — The amendment is applied retrospectively and clarifies in PAS 16 and PAS 38 that the asset may be revalued by reference to the observable data on either the gross or the net carrying amount. In addition, the accumulated depreciation or amortization is the

difference between the gross and carrying amounts of the asset. The Company did not record any revaluation adjustments during the current year.

e. PAS 24*, Related Party Disclosures – Key Management Personnel* — The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant to the Company as it does not receive any management services from other entities.

- *Annual Improvements to PFRSs (2011-2013 cycle).* The Annual Improvements to PFRSs (2011-2013 cycle) include:

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

  b. PFRS 13, *Fair Value Measurement - Portfolio Exception* — The amendment is applied prospectively and clarifies that the portfolio exception in PFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of PAS 39 (or PFRS 9, as applicable). The Company does not apply the portfolio exception in PFRS 13.

  c. PAS 40, *Investment Property* — The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). In previous periods, the Company has relied on PFRS 3, not PAS 40 in determining whether an acquisition is of an asset or is a business acquisition. Thus, this amendment does not impact the accounting policy of the Company.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The principal accounting and financial reporting policies adopted in preparing the Company's parent company financial statements are as follows:

Current Versus Non-current Classification
The Company presents assets and liabilities in the parent company statement of financial position based on current/non-current classification.

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

All other assets are classified as non-current.

A liability is current when:

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

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities, respectively.

Fair Value Measurement
The Company measures derivatives at fair value at each reporting date and, for the purposes of impairment testing, uses fair value less costs of disposal to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 23.

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted price or binding dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market. Where the Company has financial assets and financial liabilities with offsetting positions in market risks or counterparty credit risk, it has elected to use the measurement exception to measure the fair value of its net risk exposure by applying the bid or ask price to the net open position as appropriate. For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach (i.e., using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same) and the income approach (i.e. discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible).

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the parent company financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest-level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest-level input that is significant to the fair value measurement is unobservable

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

The Company determines the policies and procedures for both recurring fair value measurement, such as derivatives, and non-recurring measurement, such as impairment tests. At each reporting date, the finance team, analyzes the movements in the values of assets and liabilities which are required to be re-measured or reassessed as per the Company's accounting policies. For this analysis, the finance team verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts, counterparty assessment and other relevant documents.

The finance team also compares the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable. On an interim basis, the finance team presents the valuation results to the Company's top management for review. This includes a discussion of the major assumptions used in the valuations.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

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

Short-term Deposits
Short-term deposits are highly liquid money market placements with maturities of more than three months but less than one year from dates of acquisition.

Financial Instruments
The Company recognizes a financial asset or a financial liability in the parent company statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognized on the settlement date. Regular way purchases and sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. Derivatives are also recognized on a trade date basis.

Initial Recognition. Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The fair value of the consideration given or received is determined by reference to the transaction price or other market prices. If such market prices are not reliably determinable, the fair value of the consideration is estimated as the sum of all future cash payments or receipts, discounted using the prevailing market interest rates for similar instruments with similar maturities. The initial measurement of financial instruments, except for financial instruments at fair value through profit or loss (FVPL), includes transaction costs.

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

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

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

The Company has no HTM investments and financial liabilities at FVPL as at December 31, 2015 and 2014.

<u>Amortized Cost</u>
Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are integral part of the effective interest rate.

<u>'Day 1' Profit or Loss</u>
Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the parent company statement of comprehensive income unless it qualifies for recognition as some other type of asset. In cases where data is not observable, the difference between the transaction price and model value is only recognized in the parent company statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Subsequent Measurement. The subsequent measurement of financial assets and financial liabilities depends on their classification as follows:

Financial Assets and Liabilities at FVPL. Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and those designated upon initial recognition as at FVPL. Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets and liabilities

classified as at FPVL are carried at fair value in the parent company statement of financial position, with any gains or losses being recognized in the profit or loss. Interests earned on holding financial assets at FVPL are reported as interest income using the effective interest rate. Dividends earned on holding financial assets at FVPL are recognized in the parent company statement of comprehensive income when the right to payment had been established.

Financial assets and liabilities may be designated at initial recognition at FVPL if any of the following criteria are met:

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

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

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

The Company accounts for its derivative transactions (including embedded derivatives) under this category with fair value changes being reported directly in the parent company statement of comprehensive income, except when the derivative is designated in an effective hedging relationship. In that case, the fair value change is either reported in the parent company statement comprehensive of income with the corresponding adjustment from the hedged transaction (fair value hedge) or deferred in equity (cash flow hedge) as other comprehensive income.

The Company has not recognized any derivative asset or derivative liability as at December 31, 2015 and 2014.

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 are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, HTM investments or AFS financial assets. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest rate method, less any impairment. The amortization is included as part of interest income in the parent company statement of comprehensive income. Losses arising from impairment are recognized in the parent company statement of comprehensive income. Loans and receivables are included in current assets if maturity is within 12 months after the end of reporting period, otherwise these are classified as noncurrent assets.

Loans and receivables include cash and cash equivalents, receivables, cash deposits and due from related parties (see Notes 5, 6, 7, 8, 12, 22 and 23).

AFS Financial Assets. AFS financial assets are non-derivative financial assets that are designated as such or not classified in any of the other categories and these include equity and debt securities. They are purchased and held indefinitely and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS financial assets that are quoted are subsequently measured at fair value. The unrealized gains and losses arising from the change in fair value of AFS financial assets are recognized as other comprehensive income in the equity section of the parent company statement of financial position until the investment is derecognized or determined to be impaired at which time the cumulative gains and losses are reclassified to the parent company statement of comprehensive income. When the Company holds more than one investment in the same security, these are deemed to be disposed of on an average costing basis. Interest earned on holding AFS debt financial assets are reported as interest income using the effective interest rate method. Dividends earned on holding AFS financial assets are recognized in the parent company statement of comprehensive income when the right of payment has been established. AFS equity financial assets that are unquoted are carried at cost less any impairment in value.

As at December 31, 2015 and 2014, this category includes investments in quoted and unquoted shares classified as AFS financial assets (see Note 9) and investment in preferred shares of Beacon Electric Asset Holdings, Inc. (Beacon Electric) (see Note 8).

Other Financial Liabilities. This category pertains to financial liabilities that are not held for trading or not designated at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

Issued financial instruments or their components, which are not classified as financial liabilities at FVPL are classified as other financial liabilities, where the substance of the contractual arrangement results in the Company having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue. Any effects of restatement of foreign currency-denominated liabilities are recognized in the parent company statement of comprehensive income.

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

All of the Company's financial liabilities are classified as other financial liabilities which include loans and borrowings (see Notes 10, 11, 12, 13, 22 and 23).

All loans and borrowings are initially recognized at fair value of the consideration received less directly attributable transaction costs (referred to as "debt issue costs"). Debt issue costs are amortized over the life of the debt instrument using the effective interest method. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the parent company statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process. This category generally includes short-term and long-term debt.

Derivatives

Freestanding and separated embedded derivatives are classified as financial assets or financial liabilities at FVPL unless they are designated as effective hedging instruments. Derivative instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, 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. Consequently, gains and losses from changes in fair value of derivatives not designated as effective accounting hedges are recognized immediately in the parent company statement of comprehensive income.

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

- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristic and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of the derivative; and
- the hybrid or combined instrument is not recognized at fair value through profit or loss.

Embedded derivatives that are bifurcated from the host contracts are accounted for as financial assets or liabilities at FVPL. Changes in fair values are recognized in the parent company statement of comprehensive income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Current Versus Noncurrent Classification of Derivatives
Derivative instruments that are not designated and considered as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- If the Company holds a derivative for trading purposes, irrespective of the timing of future cash flows, it is classified as current.

- Where the Company will hold a derivative as an economic hedge (and does not apply hedge accounting), for period beyond 12 months after the end of reporting period, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.

- Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

Derivative instruments that are designated as, and are considered effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and noncurrent portion only if a reliable allocation can be made.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

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

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Impairment of Financial Assets
The Company assesses at each end of reporting period whether a financial asset or group of financial assets is impaired. If any such evidence exists, the Company applies the relevant impairment policies by measurement type of financial asset to determine the amount of any impairment loss. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Assets Carried at Amortized Cost. The Company first assesses whether objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) of impairment exists individually for financial assets that are individually significant and collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of comprehensive income. The assets together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral had been realized or had been transferred to the Company. If a write-off is later recovered, any amount formerly charged is credited to the parent company statement of comprehensive income.

If, in a subsequent year, the amount of the impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the parent company statement of comprehensive income, to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized at the date impairment is reversed. The amount of reversal shall be recognized in the parent company statement of comprehensive income.

Assets Carried at Cost. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the parent company statement of comprehensive income. The asset together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. Such impairment loss shall not be reversed.

AFS Financial Assets. For AFS financial assets, the Company assesses at each end of reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS, this would include a significant or prolonged decline in the fair value of the investments below their cost. Where there is evidence of impairment, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the parent company statement of comprehensive income is removed from other comprehensive income and recognized in the parent company statement of comprehensive income. Impairment losses on equity investments are not reversed through the parent company statement of comprehensive income. Increases in fair value after impairment are recognized directly in other comprehensive income.

Derecognition of Financial Instruments

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

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

Where the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts and any costs or fees incurred are recognized in the parent company statement of comprehensive income.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

Real Estate for Sale

Real estate for sale, which is included as part of "Other current assets" account in the parent company statement of financial position, represents the cost of lots and condominium units not yet sold. Real estate for sale is carried at the lower of cost and net realizable value (NRV). Cost includes the cost of land plus actual development costs incurred up to the end of reporting period. NRV is the selling price in the ordinary course of business less estimated costs to complete and make the sale.

Assets Held For Sale

Assets are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. Sale is determined to be highly probable, if management is committed to a plan to sell the asset (or disposal group), and an active program to locate a buyer and complete the plan have been initiated. Further, the asset (or disposal group) is actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as when the delay is caused by events or circumstances beyond the Company's control and there is sufficient evidence that the Company remains committed to its plan to sell the asset (or disposal group).

Assets held for sale are stated at the lower of carrying amount and fair value less costs to sell and are presented as current assets in the parent company statement of financial position.

Investments in Subsidiaries, Associates and Joint Venture
Investments in subsidiaries, associates and joint venture are accounted for at cost. The investments are carried in the parent company statement of financial position at cost less any impairment in value. The Company recognizes dividend income from its subsidiaries, associates and joint venture when its right to receive the dividend is established.

Property and Equipment
Property and equipment, included as part of "Other noncurrent assets" account in the parent company statement of financial position, are carried at cost, excluding day-to-day servicing, less accumulated depreciation and any impairment loss. The initial cost of property and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Such cost includes the cost of replacing part of such property and equipment and borrowing cost for long-term construction project when recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Company recognizes such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major repairs are performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment are available for use and is computed on a straight-line basis over the estimated useful lives of the assets (see Note 9).

The asset's residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each financial reporting period.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. 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 asset) is included in the parent company statement of comprehensive income in the year the asset is derecognized.

Software Cost
Software cost, included as part of "Other noncurrent assets" account in the parent company statement of financial position, includes the cost of software purchased from a third party, and other direct costs incurred in the software configuration and interface, coding and installation to hardware, including parallel processing, and data conversion. Software cost is amortized on a straight-line basis over the estimated useful life of five years (see Note 9). The carrying cost is reviewed for impairment whenever there is an indication that software cost may be impaired.

Impairment of Nonfinancial Assets
The Company assesses at each end of reporting period whether there is an indication that the Company's investments in subsidiaries and associates and interest in a joint venture, property and equipment and software costs may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating

unit's fair value less costs of disposal and its value in use (VIU) and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Impairment losses are recognized in the parent company statement of comprehensive income.

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

Equity

Common Stocks. Common stocks are classified as equity and measured at par value for all shares issued. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital.

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

Preferred share is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in the parent company statement of comprehensive income as accrued.

Retained Earnings. Retained earnings represent accumulated earnings net of cumulative dividends declared, adjusted for the effects of equity restructuring.

Cash Dividend. The Company recognizes a liability to distribute cash to equity holders of the Parent Company when the distribution is authorized and the distribution is no longer at the discretion of the Company. As per the corporate laws in the Philippines, a distribution is authorized when it is approved by the Board of Directors. A corresponding amount is recognized directly in retained earnings.

Equity Reserves. Equity reserves comprise of equity transactions other than capital contributions such as equity component of a convertible financial instrument and share-based payment transactions or Executive Stock Option Plan (ESOP).

Other Comprehensive Income Reserve. OCI reserve comprises items of income and expenses that are recognized directly in equity. Certain OCI items are to be reclassified to profit or loss in subsequent periods.

Provisions

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

Revenue and Income Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured, regardless of when the payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, and sales taxes or duty. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Dividend. Revenue is recognized when the right to receive payment is established which is upon the declaration date.

Interest Income. Interest income is recognized as it accrues, using the effective interest method.

Rental Income. Revenue from rent is recognized on a straight-line basis over the terms of the lease [included as part of “Other income (expense) - net” account in the parent company statement of comprehensive income].

Management Fees. Fees are recognized when services are rendered [included as part of “Other income (expense) - net” account in the parent company statement of comprehensive income].

Other Income. Other income are recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company and can be measured reliably.

Expenses Recognition

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

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

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

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

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Operating lease payments, net of aggregate benefit of lease incentives, are recognized as expense in the parent company statement of comprehensive income on a straight-line basis over the lease term.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. To the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset shall be determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of those borrowings. To the extent that funds are borrowed generally, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the expenditures on that asset. The capitalization rate shall be the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalized during a period shall not exceed the amount of borrowing costs incurred during that period.

Capitalization of borrowing costs commences when the activities necessary to prepare the asset for intended use are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the asset is available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects, to the extent that they are regarded as an adjustment to interest costs.

All other borrowing costs are expensed as incurred.

Retirement Benefits
The Company maintains a defined contribution plan that covers all regular full-time employees. Under the defined contribution plan, fixed contributions by the employer are based on the employees' monthly salaries. However, the Company, as an entity operating in the Philippines, is covered under Republic Act (RA) No. 7641, *The Philippine Retirement Law*, which provides for qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA 7641.

Accordingly, the Company accounts for the retirement obligation under the higher of the defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan.

For the defined benefit minimum guarantee plan, the liability is determined based on the present value of the excess of the projected defined benefit obligation over the projected defined contribution plan obligation at the end of the reporting period. The defined benefit obligation is calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in the parent company statement of comprehensive income.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

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

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

Share-based Payment
The Company has an ESOP for eligible executives of the Company and subsidiaries to receive remuneration in the form of share-based payment transactions, whereby executives render services in exchange for the share option.

The cost of equity-settled transactions (cost of ESOP) with employees is measured by reference to the fair value of the stock options at the date at which they are granted. Fair value is determined using an option-pricing model, further details of which are set forth in Note 19. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the share price of the Company ("market conditions").

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative cost of ESOP recognized for equity-settled transactions at each end of reporting period until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate at that date of the number of awards that will ultimately vest. The parent company statement of comprehensive income credit or expense (recognized as employee benefits and presented as ESOP expense) and additional investment in subsidiaries (represent cost of ESOP apportioned to executives of subsidiaries) for a period represents the movement in cumulative cost of ESOP recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum cost of ESOP recognized is the cost of ESOP as if the terms had not been modified, if the original terms of the award are met. If the modification increases the fair value of the equity instruments granted, as measured immediately before and after the modification, the entity shall include the incremental fair value granted in the measurement of the amount recognized for services received as consideration for the equity instruments granted. The incremental fair value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from the modification date until the date when the modified equity instruments vest, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period. If the modification occurs after vesting date, the incremental fair value granted is recognized immediately, or over the vesting period if the employee is required to complete an additional period of service before becoming unconditionally entitled to those modified equity instruments.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost of ESOP not yet recognized for the award is recognized immediately. This includes any award where non-vesting conditions within the control of either the entity or the counterparty are not met. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were modifications of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 20).

Long-term Employee Benefits

The Company's Long-Term Incentives Plan (LTIP) grants cash incentives to eligible key executives of the Company and certain subsidiaries. Liability under the LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and loss and past service costs. Past service costs and actuarial gains and losses are recognized immediately in the parent company statement of comprehensive income.

Foreign Currency-Denominated Transactions and Translations
The parent company financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the end of reporting period. All differences are credited or charged to operations.

Income Taxes

Current Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or have substantively been enacted at the end of reporting period where the Company operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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

Deferred tax liabilities are recognized for all taxable temporary differences, except (a) where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and (b) in respect of taxable temporary differences associated with investments in subsidiaries and associates and interest in joint a venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from minimum corporate income tax (MCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from MCIT and NOLCO can be utilized. Deferred tax, however, is not recognized when (a) it arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income; and (b) in respect of deductible temporary differences associated with investments in subsidiaries and associates and interest in a joint venture, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Sales Tax
Revenues, expenses and assets are recognized net of the amount of sales tax (commonly referred to as "Value Added Tax"), except:

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

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

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the parent company statement of financial position.

Earnings Per Share
Basic earnings per share is calculated by dividing the net income for the year attributable to the owners of the Company by the weighted average number of common shares outstanding during the year, after considering the retroactive effect of stock dividend declaration, if any.

Diluted earnings per share attributable to owners of the Parent Company is calculated in the same manner assuming that, the weighted average number of common shares outstanding is adjusted for potential common shares from the assumed exercise of ESOP and other dilutive instruments.

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

Events after the Reporting Period
Post year-end events that provide additional information about the Company's financial position at the end of reporting period (adjusting events), if any, are reflected in the parent company financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the parent company financial statements when material.

3. Management's Use of Judgments and Estimates

The preparation of the parent company financial statements in compliance with PFRS requires management to make judgments and estimates that affect the reported amounts of revenues, expenses, assets and liabilities, the disclosure of contingent liabilities and other significant disclosures. In preparing the parent company financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgments and estimates used in the accompanying parent company financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the parent company financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The Company believes that the following represent a summary of these significant judgments and estimates, related impact and associated risks in the parent company financial statements.

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

Issuance of Exchangeable Bond as equity transaction. On July 2, 2014, GIC Private Limited (GIC), through Arran Investment Private Limited, invested ₱3.7 billion for a 14.4% stake in MPIC's subsidiary, Metro Pacific Hospital Holdings, Inc. (MPHHI) and paid ₱6.5 billion as consideration for an Exchangeable Bond which can be exchanged into a 25.5% stake in MPHHI in the future. The Exchangeable Bond is an instrument that, at a certain time in the future, converts into a fixed number of shares of MPHHI. Moreover, the principal of the Exchangeable Bond is denominated in Philippine Peso, the same currency as the functional currency of MPIC as the issuing entity. The Exchangeable Bond qualified as an equity instrument and resulted in a reduction of the cost of investment in MPHHI (see Note 21).

Investment in Beacon Electric. The Company has investments in Beacon Electric's common shares and preferred shares and made the following judgments with respect to these investments:

- *Investments in Beacon Electric's common shares.* For all joint arrangements structured in separate vehicles, the Company must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Company to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the Company considers include: structure, legal form, contractual agreement, and other facts and circumstances. Upon consideration of these factors, the Company has determined that its joint arrangement, structured through Beacon Electric as a separate vehicle, gives it rights to the net assets of Beacon Electric, and therefore classified its investment in Beacon Electric's common shares, as a joint venture. The Company has 50% ownership interest in Beacon Electric through the common shares. The other 50% is held by PLDT Communications and Energy Ventures, Inc. (PCEV).

- *Investment in Beacon Electric's preferred shares.* In determining the appropriate accounting policy for the Company's investment in financial instruments, factors that the Company consider included the following: contractual characteristics of the financial instrument; the purpose for which the instrument is held, for example trading, long-term investment or hedging; and the accounting policy choice of the reporting entity. In applying these, the

Company has made a judgment that PAS 39 is the appropriate accounting for its investment in preferred shares of Beacon Electric because: the preferred shares are non-voting and as such, would not provide the Company with control, joint control or significant influence over Beacon Electric; the Company intends to hold the investment indefinitely; and the Company may decide to sell the instruments anytime at its discretion.

- *Investment in Manila Electric Company (Meralco) directly and through Beacon Electric.* Beacon Electric has 34.96% and 44.96% interest in Meralco as at December 31, 2015 and 2014, respectively. Beacon Electric, PCEV and MPIC have agreed, under the Omnibus Investment Agreement, on certain corporate governance matters, including Board composition, election of officers, shareholders' action, representation to the Meralco Board, nomination of the Meralco Board Committees, and nomination of Meralco officers. In substance, Beacon Electric is a special purpose vehicle which PCEV and MPIC created for the main purpose of holding and investing in Meralco using the same Meralco shares as collateral for funding such investment. In applying PFRS 10, the Company has made a judgment that the decision making power of Beacon Electric over the Meralco shares is effectively delegated to the shareholders, PCEV and MPIC, and that Beacon Electric does not exercise any discretion over the vote to be taken in respect of the Meralco shares but is obligated to vote the Meralco shares strictly in accordance with the instructions of the two shareholders (see Note 8).

  The carrying value of investments in Meralco and Beacon Electric consists of the following:

	2015	2014
	(In Thousands)	
Investment in Meralco (see Note 8)	**₱39,175,647**	₱13,019,723
Investment in Beacon Electric (see Note 8):		
Common shares	**25,829,879**	25,829,879
Preferred shares	**11,573,222**	11,573,222

Power to exercise significant influence. Where the Company holds less than 20% of voting rights in an investee but the Company has the power to exercise significant influence, such an investment is treated as an associate. In an opposite situation, where the Company holds over 20% of voting rights (but not over 50%) and the Company does not exercise significant influence, the investment is treated as an AFS investment. However, for *Pacific Global One Aviation Company, Inc. (PGOACI)*, despite having representation in the BOD, the interest in this entity is classified as AFS financial asset because management and operations are accorded to the other incorporators. Interest in this entity is solely to have ready access to aircraft transportation services which is necessary for aerial surveys and other related emergencies and uses (see Note 9).

Interests in Landco Pacific Corporation (Landco). Prior to December 2014, the Company classified its 19% interest in Landco's common shares as investment in AFS Financial Asset. Following the restructuring plan of Landco in preparation for its eventual sale, management classified and presented its interests in Landco, including the receivables from Landco and ABHC as "Assets held for sale". The Company is committed to the plan to sell its interests in Landco and has initiated actions to locate a buyer. No impairment loss was recognized on the reclassification of the interests in Landco as at December 31, 2015 and 2014 as management expects that the fair value (estimated based on enterprise value) less costs to sell is higher than the carrying amount (see Note 21). While the expected disposal did not happen in 2015 due to delays outside of the Company's control, the Company is nonetheless committed to the plan to sell its interest in Landco.

Estimates
The key assumptions concerning future and other key sources of estimation at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the parent company financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Determination of Fair Value of Financial Instruments (Including Derivatives). The Company initially records all financial instruments at fair value and subsequently carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgment. Valuation techniques are used particularly for financial assets and financial liabilities (including derivatives) that are not quoted in an active market. Where valuation techniques are used to determine fair values (e.g., discounted cash flow, option models), they are periodically reviewed by qualified personnel who are independent of the persons that initiated the transactions. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data as valuation inputs. However, other inputs such as credit risk (whether that of the Company or the counterparties), forward prices, volatilities and correlations, require management to develop estimates or make adjustments to observable data of comparable instruments. The amount of changes in fair values would differ if the Company uses different valuation assumptions or other acceptable methodologies. Any change in fair value of these financial instruments (including derivatives) would affect either the parent company statement of comprehensive income or parent company statement of changes in equity.

Fair values of financial instruments are presented in Note 23.

Impairment of Loans and Receivables. The Company estimates the allowance for doubtful accounts related to receivables using a combination of specific and collective assessment. The amounts calculated in each level of impairment assessment are combined to determine the total amount of allowance for doubtful accounts. First, the Company evaluates specific accounts that are considered individually significant for any objective evidence that certain counterparties are unable to meet their financial obligations. In these cases, the Company uses judgment, based on the best available facts and circumstances, including but not limited to, the length of its relationship with the counterparty and the counterparty's current credit status based on third party credit reports and known market factors. The allowance provided is based on the difference between the present value of the receivable that the Company expects to collect, discounted at the receivables' original effective interest rate and the carrying amount of the receivable. These specific allowances are re-evaluated and adjusted as additional information received affects the amounts estimated. If no impairment loss is determined for an individually assessed receivable, the receivable is included in a group of receivables with similar credit risk characteristics and is collectively assessed for impairment. The provision under collective assessment is based on historical collection and write-off experience and change in counterparty payment terms. Impairment assessment is performed on a continuous basis throughout the year.

The carrying value of receivables, net of allowance for doubtful accounts, amounted to ₱875.9 million and ₱97.8 million as at December 31, 2015 and 2014, respectively. Allowance for doubtful accounts amounted to ₱21.4 million and nil as at December 31, 2015 and 2014, respectively (see Note 6). The aggregate carrying value of due from related parties, including advances to related parties, amounted to ₱1,039.3 million and ₱2,667.9 million as at December 31, 2015 and 2014, respectively (see Notes 8 and 12).

Impairment of AFS Financial Assets. The Company treats an AFS financial asset as impaired when there has been a significant or prolonged decline in the fair value below its acquisition cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires judgment. The Company treats "significant" generally as 20.0% or more and "prolonged" as greater than 12 months for quoted equity securities. In addition, the Company evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

No impairment loss was recognized against AFS financial assets for the years ended December 31, 2015 and 2014. The carrying value of AFS financial assets, including investment in Beacon Electric preferred shares, amounted to ₱11,611.2 million and ₱11,610.2 million as at December 31, 2015 and 2014, respectively (see Notes 8 and 9).

Impairment of Investments in Subsidiaries, Associates and Interest in a Joint Venture. Impairment review is performed when certain impairment indicators are present. For investments in subsidiaries, associates and interest in a joint venture, receipt of dividend that meets the following conditions may be an internal indicator that the investment is impaired. Impairment testing is required when a dividend is received and:

- there is evidence available that the carrying amount of the investments in the Company's separate financial statements exceeds the carrying amount of subsidiaries, associates and joint ventures net assets; or
- the dividend exceeds the total comprehensive income of subsidiaries, associates and joint venture.

The carrying value of the investment in subsidiaries, associates and interest in a joint venture (excluding the advances for equity and the investment in Beacon Electric preferred shares) amounted to ₱121,375.5 million and ₱80,709.2 million as at December 31, 2015, and 2014, respectively (see Note 8). There were no impairment losses recognized for the years ended December 31, 2015 and 2014.

Realizability of deferred income tax assets. The Company reviews the carrying amounts of deferred income taxes at each reporting date and reduces deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized.

Deferred income tax assets have not been recognized as at December 31, 2015 and 2014 because management believes that the Company may not have sufficient future taxable profits available to allow all or part of the deferred income tax assets to be utilized in the near future.

The Company has deductible temporary differences, MCIT, and NOLCO for which no deferred tax assets have been recognized as at December 31, 2015 and 2014, respectively (see Note 18).

Retirement Costs. The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions, described in Note 16, are reviewed at each reporting date.

Share-based Payments. The Company measures the cost of cash and equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payments requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payments are disclosed in Note 19. The Company recognizes expenses based on the estimated number of grants that will ultimately vest and will require settlement. The Company's average turnover rate over the past few years is used to determine the attrition rate in computing the benefit expense and estimated liability.

Equity-based compensation expense recognized in 2015 and 2014 under Equity reserve from ESOP in equity amounted to ₱21.1 million and ₱56.6 million, respectively (see Notes 8, 14 and 19).

Long-Term Incentives Plan. The LTIP for key executives of the Company and certain subsidiaries was approved by the Executive Compensation Committee and the BOD which is based on profit targets for the covered performance cycle. The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's long term incentive benefits.

LTIP expense for the years ended December 31, 2015 and 2014 amounted to ₱247.9 million and ₱194.8 million, respectively. LTIP payable as at December 31, 2015 and 2014 amounted to ₱563.0 million and ₱342.6 million, respectively (see Notes 10, 13, 15 and 16).

4. Operating Segment Information

An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the Company's chief operating decision maker who makes decisions about how resources are to be allocated to the segment and assesses its performance, and for which discrete financial information is available.

For management purposes, the Company is organized into six major business segments based on services and products:

- *Water utilities*, which relate to the provision of water and sewerage services by Maynilad Water Holding Company, Inc. (MWHC) and its subsidiaries Maynilad Water Services, Inc. (Maynilad) and Philippine Hydro, Inc. (PHI) and bulk water supply by MetroPac Water Investments Corporation (MPWIC).

- *Toll operations,* which primarily relate to operations and maintenance of toll facilities by MPTC and its subsidiaries Manila North Tollways Corporation (MNTC) and Cavitex Infrastructure Corporation (CIC), and associates, Tollways Management Corporation (TMC) and CII Bridges and Roads Investment Joint Stock Company (CII B&R) and MPIC's associate, Don Muang Tollway Public Ltd (DMT).

- *Power distribution*, which primarily relates to the operations of Meralco in relation to the distribution and supply of electricity.

- *Healthcare*, which primarily relates to operations and management of hospitals, nursing and medical school and such other enterprises that have similar undertakings.

- *Rail,* which primarily relates to the operations and maintenance of the Light Rail Transit (LRT) Line 1 and construction of the LRT Cavite Extension by Light Rail Manila Corporation (LRMC) and ticketing services by AF Payments Inc. (AFPI; formerly Automated Fare Collection Services, Inc.).

- *Others*, which represent holding companies and operations of subsidiaries involved in real estate and provision of services.

Customer Tariffs. The MPIC Group's results of operations are highly dependent on ability to set and collect adequate tariffs for its Water Utilities, Toll Operations, Power and Rail segments:

Maynilad

Under Maynilad's concession agreement with the Philippine Government, Maynilad may request tariff rate adjustments based on movements in the Philippine consumer price index, foreign exchange currency differentials, a rate rebasing process scheduled to be conducted every five years (Rate Rebasing) and certain extraordinary events. Any rate adjustment requires approval by Metropolitan Water Sewerage System (MWSS) and the Regulatory Office (RO). Any tariff adjustments that are not granted, in a timely manner, in full or at all, could have a material adverse effect on Maynilad's results of operations and financial condition.

For the Fourth Rate Rebasing Period, after a two-year delay in Maynilad's water tariff for the rate rebasing for the period from 2013 to 2017, Maynilad received a favorable award in its arbitration proceedings on December 29, 2014 (Final Award). The new rate results in a 9.8% increase in the 2013 average basic water charge of ₱31.28 per cubic meter, inclusive of the ₱1.00 Currency Exchange Rate Adjustment (CERA) which the MWSS has incorporated into the basic charge. However, the MWSS refused to implement the Final Award notwithstanding Maynilad's repeated written demands for implementation.

On February 20, 2015, Maynilad wrote a letter to the Philippine Government, through the Department of Finance (DOF), to call on the undertaking which the Republic of the Philippines (Republic) issued in favor of Maynilad on July 31, 1997 and March 17, 2010. The undertaking provides, among other things, that the Republic shall indemnify Maynilad in respect of any loss that is occasioned by a delay caused by the Republic or any government-owned agency in implementing any increase in the Standard Rates beyond the date for its implementation in accordance with the Concession Agreement.

Following the inaction of the Philippine Government represented by the DOF in response to Maynilad's request to compel MWSS to implement the Final Award, Maynilad wrote again a letter to the Republic on March 9, 2015, through the DOF, to reiterate its demand against the undertaking. The letters dated February 20 and March 9, 2015 are collectively referred to as the "Demand Letters." Maynilad demanded that it be paid, immediately and without further delay, the ₱3.4 billion in revenue losses that it had sustained as a direct result of the MWSS' and the RO's refusal to implement its correct Rebasing Adjustment from January 1, 2013 (the commencement of the 4th Rate Rebasing Period) to February 28, 2015.

On March 27, 2015, Maynilad served a Notice of Arbitration and Statement of Claim upon the Republic, through the DOF. Maynilad gave notice and demanded that the Republic's failure or refusal to pay it the amounts required under the Demand Letters be, pursuant to the terms of the undertaking, referred to arbitration before a three-member panel appointed and conducting proceedings in Singapore in accordance with the 1976 United Nations Commission on International Trade Law (UNCITRAL) Arbitration Rules. The arbitration panel was constituted in 2015.

On April 21, 2015, the MWSS Board of Trustees in its Resolution No. 2015-004-CA dated March 25, 2015 approved to partially implement the Arbitral Award of a tariff adjustment of ₱0.64 per cu.m., net of the ₱1.00 CERA, which translates to a tariff adjustment of negative ₱0.36 per cu.m. as opposed to the Arbitral Award of ₱3.06 per cu.m. tariff adjustment, net of CERA. For being contrary to the Final Award as well as the provisions of the Concession Agreement, Maynilad did not implement this tariff adjustment.

On May 14, 2015, the MWSS Board of Trustees in its Resolution No. 2015-060-RO approved a 7.52% increase in the prevailing average basic charge of ₱31.25 per cu.m. or an upward adjustment of ₱2.35 per cu.m. as partial implementation of the Arbitral Award. With the discontinuance of CERA, the net adjustment in average water charge is ₱1.35 per cu.m.

On February 17, 2016, Maynilad again wrote the Republic, through the DOF, to reiterate its demand against the Undertaking and to update its claim in the amount of ₱5.6 billion. As at March 1, 2016, the arbitration hearing has not started.

MNTC and CIC

MNTC and CIC derive substantially all of their revenues from toll collections from the users of the toll roads. The concession agreements establish a toll rate formula and adjustment procedure for setting the appropriate toll rate.

MPTC continues to await approval of toll rate adjustments on CAVITEX (an increase of 25% for R1 and 16% for R1 Extension) and for North Luzon Expressway (NLEX) (an increase of 15%).

On August 26, 2015, for failure to implement toll rate adjustments, MNTC and CIC filed notice with the Toll Regulatory Board (TRB) and Department of Transportation and Communications (DOTC) demanding settlement of the past due tariff increases amounting to ₱2.44 billion and ₱719.0 million based on the overdue toll rate adjustments as at July 31, 2015 for the NLEX and CAVITEX, respectively. MNTC and CIC may pursue compensation through an arbitral tribunal in accordance with their respective toll concession agreements.

LRMC

LRMC derives substantially all of its revenues from farebox collections from the users of the LRT Line 1 rail system. LRMC can apply with the DOTC for a fare increase every 2 years, up to a maximum fare increase of 10%. This translates to 5% per annum, which is meant to track inflation.

Meralco

Meralco was among the first entrants to the Performance-Based Regulation (PBR). Ratesetting under PBR is governed by the Rules for Setting Distribution Wheeling Rates (RDWR). The PBR scheme sets tariffs based on the regulated asset base of the Distribution Utility (DU), and the required operating and capital expenditures once every regulatory period (RP), to meet operational performance and service level requirements responsive to the need for adequate, reliable and quality power, efficient service, growth of all customer classes in the franchise area as approved by the Energy Regulatory Commission (ERC). PBR also employs a mechanism that penalizes or rewards a DU depending on its network and service performance. Rate filings and setting are done every RP where one RP consists of four regulatory years. A regulatory year (RY) begins on July 1st and ends on June 30th of the following year. The last year of Meralco's 3rd RP ended on June 30, 2015. The 4th RP for Group "A" entrants commenced on July 1, 2015 and ends on June 30, 2019. Meralco is to undergo the reset process and is awaiting the release by the ERC of the final rules to govern the filing of its 4th RP reset application.

On June 11, 2015, Meralco filed its application for the approval of its proposed Interim Average Rate of ₱1.3939 per kWh and translation thereof into r ate tariffs by customer category. On July 10, 2015, the ERC provisionally approved an Interim Average Rate of ₱1.3810 per kWh and the rate translation per customer class, which was reflected in the customer bills starting July 2015. On January 7, 2016, Meralco presented its first witness with the ERC. The next hearing for the continuation of Meralco's presentation of its evidence is scheduled on June 17, 2016.

In the absence of the release by the ERC of the final rules to govern the filing of its 4th RP Reset Application, and in anticipation of the network system requirements and possible effect of severe weather conditions after June 30, 2015, Meralco filed on February 9, 2015 an application for approval of authority to implement its CAPEX program for RY 2016 (July 1, 2015 to June 30, 2016) pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act. On September 30, 2015, the parties completed the presentation of their evidence, and the ERC required Meralco to submit certain documents. With Meralco's compliance to said directive and the submission by the parties of their respective Formal Offer of Evidence, the case is submitted for resolution.

Meralco also files with the ERC its applications for over/under-recoveries of pass-through costs. These consist mainly of differential generation, transmission and system loss charges technically referred to as over/under-recoveries, which are refundable/recoverable from the customers, as allowed by law.

Segment performance and monitoring. The Company's chief operating decision maker is the BOD. The BOD monitors the operating results of each business unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on: consolidated net income for the year; earnings before interest, taxes and depreciation and amortization, or Core EBITDA; Core EBITDA margin; and core income. Net income for the year is measured consistent with consolidated net income in the Company's consolidated financial statements.

Core EBITDA is measured as net income excluding depreciation and amortization of property and equipment and intangible assets, asset impairment on noncurrent assets, financing costs, interest income, equity in net earnings (losses) of associates and joint ventures, net foreign exchange gains (losses), net gains (losses) on derivative financial instruments, provision for (benefit from) income tax and other non-recurring gains (losses). Core EBITDA margin pertains to Core EBITDA divided by service revenues.

Performance of the operating segments is also assessed based on a measure of recurring profit or core income. Core income is measured as net income attributable to owners of the Company excluding the effects of foreign exchange and derivative gains or losses and non-recurring items (NRI), net of tax effect of aforementioned. NRI represent gains or losses that, through occurrence or size, are not considered usual operating items.

Segment expenses and segment results exclude transfers or charges between business segments. These transfers are also eliminated for purposes of the consolidated financial statements. For the years ended December 31, 2015 and 2014, no revenue transactions with a single customer accounted for 10% or more of MPIC Group's consolidated revenues. Except for the equity in net earnings recognized in the consolidated financial statements from the Group's investments in DMT and CII B&R (see Note 8), all revenues of the MPIC Group were primarily derived from within the Philippines.

Segment capital expenditure is the total cost incurred during the period to acquire service concession assets, property and equipment, and intangible assets other than goodwill. For the consolidated statements of financial position, difference between the combined segment assets and the consolidated assets consist of adjustments and eliminations comprising of goodwill, deferred tax and derivative assets. Difference between the combined segment liabilities and the consolidated liabilities largely consist of deferred tax.

The segment revenues, core income for the year, assets, liabilities, and other segment information of MPIC Group's reportable operating segments as at and for the years ended December 31, 2015 and 2014 are detailed in the following tables:

The following table presents consolidated information on core income and certain assets and liabilities regarding business segments:

	Year Ended December 31, 2015 *(In Millions)*							
	Water Utilities	**Toll Operations**	**Healthcare**	**Power Distribution**	**Rail**	**Other Businesses**	**Eliminations**	**Consolidated**
Total revenue from external sales	₱19,098	₱9,691	₱7,553	₱–	₱897	₱–	₱–	₱37,239
Cost of sales	(5,452)	(3,876)	(4,220)	–	(478)	–	–	(14,026)
Gross Margin	13,646	5,815	3,333	–	419	–	–	23,213
Operating expenses	(2,401)	(1,133)	(2,309)	–	(337)	(1,066)	–	(7,246)
Other income (charges) – net	(220)	388	211	405	17	37	–	838
Profit before Financing Charges	11,025	5,070	1,235	405	99	(1,029)	–	16,805
Interest expense – net	(1,766)	(1,384)	(121)	–	14	(1,201)	–	(4,458)
Profit before Non-controlling Interest and Income Tax	9,259	3,686	1,114	405	113	(2,230)	–	12,347
Non-controlling interest	(4,365)	(810)	(456)	–	(36)	6	–	(5,661)
Benefit from (provision for) income tax	(95)	(983)	(356)	–	(36)	(74)	–	(1,544)
Contribution from Subsidiaries	4,799	1,893	302	405	41	(2,298)	–	5,142
Share in net earnings (losses) of equity method investees	20	935	171	4,138	(60)	-	–	5,204
Contribution from Operations - Core Income (Loss)	4,819	2,828	473	4,543	(19)	(2,298)	–	10,346
Non-recurring (charges)	(93)	(295)	(22)	(164)	(22)	(204)	–	(800)
Segment Income (Loss)	₱4,726	₱2,533	₱451	₱4,379	(41)	(₱2,502)	₱–	₱9,546
Core EBITDA	₱13,810	₱5,933	₱1,932	₱405	₱105	(₱987)	₱–	₱21,198
Core EBITDA Margin	72%	61%	26%	–%	12%	–%	–%	57%
Non-recurring Charges	(₱129)	(₱41)	(₱31)	(₱164)	(₱28)	(₱259)	₱–	(₱652)
Provision for income tax	(1)	(276)	(4)	–	–	–	–	(281)
Non-controlling interest	37	22	13	–	6	55	–	133
Net nonrecurring charges	(₱93)	(₱295)	(₱22)	(₱164)	(₱22)	(₱204)	₱–	(₱800)
Assets and Liabilities								
Segment assets	₱93,138	₱65,389	₱13,398	₱–	₱7,531	₱6,972	₱19,550	₱205,978
Investment in associates, at equity	251	10,738	2,841	81,467	753	152	–	96,202
Consolidated Total Assets	₱93,389	₱76,127	₱16,239	₱81,467	₱8,284	₱7,124	₱19,550	₱302,180
Segment Liabilities	₱46,369	₱52,037	₱4,916	₱8,450	₱3,354	₱31,667	₱4,610	₱151,403
Other Segment Information								
Capital expenditures -								
Service concession asset and property and equipment	₱7,903	₱27,641	₱1,219	₱–	₱5,692	₱30	₱–	₱42,485
Depreciation and amortization	2,785	863	697	–	6	42	–	4,393

	Year Ended December 31, 2014 *(In Millions)*							
	Water Utilities	Toll Operations	Healthcare	Power Distribution	Rail	Other Businesses	Eliminations	Consolidated
Total revenue from external sales	₱18,363	₱8,641	₱6,828	₱–	₱–	₱–	₱–	₱33,832
Cost of sales and services	(5,431)	(3,575)	(3,912)	–	–	–	–	(12,918)
Gross Margin	12,932	5,066	2,916	–	–	–	–	20,914
Operating expenses	(2,116)	(832)	(2,040)	–	(27)	(994)	–	(6,009)
Other income (charges) - net	(530)	270	161	405	–	(30)	–	276
Profit before Financing Charges	10,286	4,504	1,037	405	(27)	(1,024)	–	15,181
Interest expense - net	(2,007)	(1,184)	(187)	–	2	(529)	–	(3,905)
Profit before NCI and Income Tax	8,279	3,320	850	405	(25)	(1,553)	–	11,276
Non-controlling interest	(3,933)	(717)	(272)	–	5	1	–	(4,916)
Benefit from (provision for) income tax	40	(845)	(258)	–	4	(19)	–	(1,078)
Contribution from Subsidiaries	4,386	1,758	320	405	(16)	(1,571)	–	5,282
Share in net earnings (losses) of equity method investees	(10)	481	145	2,622	(12)	–	–	3,226
Contribution from Operations - Core Income (Loss)	4,376	2,239	465	3,027	(28)	(1,571)	–	8,508
Non-recurring income (charges)	(278)	(92)	(33)	(55)	(52)	(58)	–	(568)
Segment Income (Loss)	₱4,098	₱2,147	₱432	₱2,972	(80)	(₱1,629)	₱–	₱7,940
Core EBITDA	₱12,841	₱5,240	₱1,709	₱405	(₱27)	(₱980)	₱–	₱19,188
Core EBITDA Margin	70%	61%	25%	–%	–%	–%	–%	57%
Non-recurring Charges	(₱488)	(₱5)	(₱29)	(₱55)	(₱65)	(₱78)	₱–	(₱720)
Benefit from income tax	(33)	(92)	(2)	–	–	(3)	–	(130)
Non-controlling interest	243	5	(2)	–	13	23	–	282
Net Non-recurring Charges	(₱278)	(₱92)	(₱33)	(₱55)	(₱52)	(₱58)	₱–	(₱568)
Assets and Liabilities								
Segment assets	₱84,733	₱42,340	₱13,082	₱–	₱1,654	₱7,556	₱19,472	₱168,837
Investments and advances	123	6,651	2,382	55,310	488	221	–	65,175
Consolidated Total Assets	₱84,856	₱48,991	₱15,464	₱55,310	₱2,142	₱7,777	₱19,472	₱234,012
Segment Liabilities	₱45,275	₱34,447	₱4,848	₱7,188	₱73	₱8,381	₱4,228	₱104,440
Other Segment Information								
Capital expenditures -								
Service concession assets and property and equipment	₱4,701	₱2,569	₱856	₱–	₱–	₱60	₱–	₱8,186
Depreciation and amortization	2,555	736	672	–	–	44	–	4,007

The following table shows the reconciliation of MPIC Group's consolidated Core EBITDA to consolidated net income for the years ended December 31, 2015 and 2014.

	2015	2014
	(In Thousands)	
Consolidated Core EBITDA	**₱21,198,404**	₱19,188,013
Depreciation and amortization	**(4,393,459)**	(4,007,124)
Consolidated operating profit for the year	**16,804,945**	15,180,889
Adjustments to reconcile with consolidated net income:		
Interest income	**460,354**	385,292
Share in net earnings of equity method investees	**5,203,837**	3,225,465
Interest expense	**(4,918,299)**	(4,289,956)
Nonrecurring income (expenses)	**(932,870)**	(850,001)
Provision for income tax	**(1,543,876)**	(1,077,918)
Consolidated net income for the year	**₱15,074,091**	₱12,573,771

The following table shows the reconciliation of MPIC Group's consolidated core income to consolidated net income for the years ended December 31, 2015 and 2014.

	2015	2014
	(In Thousands)	
Consolidated core income for the year	**₱10,345,980**	₱8,508,151
Foreign exchange gains (losses) - net	**102,332**	17,783
Other nonrecurring income (losses)	**(621,117)**	(456,179)
Net tax effect of aforementioned adjustments	**(281,173)**	(130,081)
Net income for the year attributable to owners of the Parent Company	**9,546,022**	7,939,674
Net income for the year attributable to non-controlling interest	**5,528,069**	4,634,097
Consolidated net income for the year	**₱15,074,091**	₱12,573,771

The following table shows the analysis and allocation of the consolidated results of operations of MPIC Group to core and NRI, the manner by which MPIC Group reports and assesses their performance, makes decision and allocates resources, for the years ended December 31, 2015 and 2014 and is provided to reconcile the preceeding consolidated segment information, amounts and balances with MPIC Group's consolidated statements of income:

	2015				2014			
	Core	**NRI**	**Reclassification**	**Consolidated**	Core	NRI	Reclassification	Consolidated
				(In Millions)				
OPERATING REVENUES								
Water and sewerage services revenue	**₱19,098**	**₱–**	**₱–**	**₱19,098**	₱18,363	₱–	₱–	₱18,363
Toll fees	**9,691**	**–**	**–**	**9,691**	8,641	–	–	8,641
Hospital revenue	**7,553**	**–**	**–**	**7,553**	6,828	–	–	6,828
Rail revenue	**897**	**–**	**–**	**897**	–	–	–	–
	37,239	**–**	**–**	**37,239**	33,832	–	–	33,832
COST OF SALES AND SERVICES	**(14,026)**	**–**	**–**	**(14,026)**	(12,918)	(164)	–	(13,082)
GROSS PROFIT	**23,213**	**–**	**–**	**23,213**	20,914	(164)	–	20,750
General and administrative expenses	**(7,246)**	**(801)**	**–**	**(8,047)**	(6,009)	(814)	–	(6,823)
Interest expense	**(4,918)**	**(7)**	**–**	**(4,925)**	(4,290)	(11)	–	(4,301)
Share in net earnings (losses) of associates and joint ventures	**5,609**	**(190)**	**(405)**	**5,014**	3,631	(59)	(405)	3,167
Interest income	**460**	**–**	**–**	**460**	385	–	–	385
Other income and expenses	**433**	**346**	**405**	**1,184**	(129)	328	405	604
INCOME BEFORE INCOME TAX	**17,551**	**(652)**	**–**	**16,899**	14,502	(720)	–	13,782
PROVISION FOR (BENEFIT FROM) INCOME TAX								
Current	**1,518**	**4**	**–**	**1,522**	1,155	5	–	1,160
Deferred	**26**	**277**	**–**	**303**	(77)	125	–	48
	1,544	**281**	**–**	**1,825**	1,078	130	–	1,208
NET INCOME	**₱16,007**	**(₱933)**	**₱–**	**₱15,074**	₱13,424	(₱850)	₱–	₱12,574
Net Income Attributable to:								
Owners of the Parent Company	**₱10,346**	**(₱800)**	**₱–**	₱9,546	**₱8,508**	**(₱568)**	**₱–**	**₱7,940**
Non-controlling interest	**5,661**	**(133)**	**–**	**5,528**	4,916	(282)	–	4,634
	₱16,007	**(₱933)**	**₱–**	**₱15,074**	₱13,424	(₱850)	₱–	₱12,574

The following table shows the reconciliation of consolidated amounts and the amounts reflected in the parent company financial statements as at and for the years ended December 31, 2015 and 2014.

	2015		
	Consolidated	**Subsidiaries, Associates and a Joint Venture**	**Parent Company**
		(In Thousands)	
Operating revenues	**₱37,239,709**	**₱37,239,709**	**₱–**
Net income for the year attributable to owners of the parent company	**9,545,622**	**4,979,930**	**4,565,692**
Total assets	**302,179,289**	**161,086,436**	**141,092,853**
Total liabilities	**151,404,202**	**107,619,530**	**43,784,672**
Capital expenditures	**42,484,637**	**42,454,190**	**30,447**

	2014		
	Consolidated	Subsidiaries, Associates and a Joint Venture	Parent Company
		(In Thousands)	
Operating revenues	₱33,831,931	₱33,831,931	₱–
Net income for the year attributable to owners of the parent company	7,939,674	(2,224,981)	10,164,655
Total assets	234,011,785	132,242,098	101,769,687
Total liabilities	104,440,175	88,505,958	15,934,217
Capital expenditures	8,186,465	8,153,699	32,766

5. Cash and Cash Equivalents

As at December 31, this account consists of:

	2015	2014
	(In Thousands)	
Cash on hand and in banks	**₱11,558**	₱17,261
Short-term deposits	**3,451,302**	4,070,842
	₱3,462,860	₱4,088,103

Cash in banks earns interest at the prevailing bank deposit rates. Short-term deposits are made for varying periods of up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term deposits rates.

Interest earned from cash and cash equivalents and short-term deposits amounted to ₱90.9 million and ₱88.4 million for the years ended December 31, 2015 and 2014, respectively (see Note 17).

6. **Receivables**

As at December 31, this account consists of:

	2015	2014
	(In Thousands)	
Dividends receivable (see Note 8)	**₱862,090**	₱50,000
Advances to employees	**7,410**	6,834
Interest receivables	**3,270**	6,855
Accounts receivable	**1,749**	1,161
Other receivables	**22,803**	32,955
	897,322	97,805
Less allowance for doubtful accounts	**21,440**	–
	875,882	97,805
Less current portion	**875,882**	97,805
	₱–	₱–

Interest receivable pertains to interests earned from the various notes receivable and bank placements and deposits. Interest and other receivables are collectible within 12 months.

Accounts receivable and advances to employees are non-interest bearing and subject to liquidation within 12 months from availment.

7. **Other Current Assets**

As at December 31, this account consists of:

	2015	2014
	(In Thousands)	
Deposits (see Notes 9 and 11)	**₱558,090**	₱186,364
Input taxes	**93,017**	73,200
Real estate for sale	**16,911**	16,911
Other deposits and prepayments	**20,777**	19,962
	₱688,795	₱296,437

Deposits consist of the following:

- Deposits amounting to ₱184.7 million and ₱186.4 million as at December 31, 2015 and 2014, respectively, pertain to the Company's Debt Service Account (DSA) which holds funds on reserve to service scheduled semi-annual repayment of the Company's ₱6.48 billion BDO loan and related interest (see Note 11).

- LTIP fund which is covered by an Investment Management Agreement (IMA) entered into with a Trustee Bank on December 18, 2013 (see Note 16). In 2015, the classification has been made current due to expected payout early in 2016 following the LTIP's 3-year performance cycle ending 2015 (see Note 10). The fund balance as at December 31, 2015 and 2014 amounted to ₱373.4 million (current) and ₱344.9 million (noncurrent), respectively, and interests earned, net of final tax, that were added to the LTIP fund amounted to ₱6.8 million and ₱3.0 million, respectively.

Real estate for sale consists of developed lots and condominium units carried at cost. In 2014, the Company sold one of its properties for ₱13.5 million which resulted in a gain of ₱4.8 million (see Note 17).

Other deposits and prepayments mainly pertain to creditable withholding taxes, rental deposits and prepaid expenses.

8. Investments and Advances

As at December 31, this account consists of investments and advances to the following investee companies:

Investee	Principal Activity	Direct MPIC Ownership Interest	
		2015	2014
Subsidiaries:			
MPTC	Investment holding	**99.9**	99.9
MWHC[(a)]	Investment holding	**51.3**	51.3
Maynilad	Utilities	**5.2**	5.2
MPWIC	Investment holding	**100.0**	100.0
Metro Pacific Light Rail Corporation (MPLRC)	Investment holding	**100.0**	100.0
MPHHI[(b)]	Investment holding	**85.6**	85.6
Porrovia Corporation	Investment holding	**50.0**	50.0
MPIC-JGS Airport Holdings, Inc. (MPIC-JGS)	Investment holding	**58.8**	58.8
MPIC Infrastructure Holdings Limited (MIHL)	Investment holding	**100.0**	100.0
Fragrant Cedar Holdings, Inc. (FCHI)	Investment holding	**100.0**	100.0
Neo Oracle Holdings, Inc. (NOHI)	Real estate	**96.6**	96.6
Metro Global Green Waste, Inc. (MGGW)	Investment holding	**70.0**	70.0
MetroPac Logistics Company, Inc. (MPLC)[(c)]	Investment holding	**100.0**	–
Joint venture:			
Beacon Electric	Investment holding	**50.0**	50.0
Associates:			
Indra Philippines, Inc. (Indra Phils.)	Management and IT consultancy	**25.0**	–
AFPI	Operator of contactless payment system	**20.0**	20.0
Meralco	Power distribution	**15.0**	5.0
First Gen Northern Electric Corp. (FGNEC)	Power generation	**33.3**	33.3

(a) Effective February 2014, DMCI-MPIC Water Company, Inc. changed its corporate name to Maynilad Water Holding Company, Inc.
(b) Effective February 2015, Neptune Stroika Holdings Inc. changed its corporate name to MPHHI. The non-controlling shareholder of MPHHI also holds an Exchangeable Bond issued by MPIC which can be exchanged into a 25.51% stake in MPHHI in the future, subject to certain conditions. With the Exchangeable Bond, the non-controlling shareholder is entitled to 39.89% effective ownership interest in MPHHI (see Note 21).
(c) Incorporated on September 1, 2015.

All the above investees were incorporated in the Philippines, except for MIHL, which was incorporated in British Virgin Islands (BVI).

As at December 31, the carrying value of the Company's investments and advances follows:

	2015	2014
	(In Thousands)	
Investments in subsidiaries:		
MPTC	**₱30,164,320**	₱19,136,862
MWHC	**12,276,767**	12,276,767
MPHHI	**4,007,533**	4,005,646
MIHL	**3,364,865**	3,258,632
Maynilad	**2,071,042**	2,071,042
MPLRC	**2,035,700**	25,000
MPWIC	**1,017,550**	5,000
MGGW	**264,624**	264,624
NOHI	**230,132**	230,132
FCHI	**66,532**	66,532
MPLC	**25,000**	–
Porrovia	**10,000**	10,000
MPIC-JGS	**5,875**	5,875
	55,539,940	41,356,112
Investments in associates:		
Meralco (see Note 12)	**39,175,647**	13,019,723
AFPI	**503,235**	503,235
Indra Phils.	**326,525**	–
FGNEC	**250**	250
	40,005,657	13,523,208
Interests in a joint venture - Beacon Electric:		
Common shares	**25,829,879**	25,829,879
Preferred shares	**11,573,222**	11,573,222
Advances	**756,387**	756,387
	38,159,488	38,159,488
Advances to subsidiaries	**266,275**	1,866,145
	₱133,971,360	₱94,904,953

Movements of investments and advances are as follows:

	December 31, 2015			
	Subsidiaries	**Associates**	**Joint Venture**	**Total**
	(In Thousands)			
Investments:				
Balance at beginning of year	**₱41,356,112**	**₱13,523,208**	**₱37,403,101**	**₱92,282,421**
Acquisitions during the year	**11,156,233**	**26,482,449**	**–**	**37,638,682**
ESOP (see Note 19)	**4,345**	**–**	**–**	**4,345**
Reclassification	**3,023,250**	**–**	**–**	**3,023,250**
	55,539,940	**40,005,657**	**37,403,101**	**132,948,698**
Advances:				
Balance at beginning of year	**1,866,145**	**–**	**756,387**	**2,622,532**
Additional advances during the year	**1,643,380**	**–**	**–**	**1,643,380**
Reclassification	**(3,243,250)**	**–**	**–**	**(3,243,250)**
	266,275	**–**	**756,387**	**1,022,662**
	₱55,806,215	**₱40,005,657**	**₱38,159,488**	**₱133,971,360**

	December 31, 2014			
	Subsidiaries	Associates	Joint Venture	Total
	(In Thousands)			
Investments:				
Balance at beginning of year	₱37,364,304	₱1,441,038	₱37,403,101	₱76,208,443
Acquisitions during the year	2,053,854	13,522,958	–	15,576,812
ESOP (see Note 19)	6,632	–	–	6,632
Hospital reorganization	1,163,194	(1,440,788)	–	(277,594)
Reclassification	768,128	–	–	768,128
	41,356,112	13,523,208	37,403,101	92,282,421
Advances:				
Balance at beginning of year	898,128	–	756,387	1,654,515
Additional advances during the year	1,736,145	–	–	1,736,145
Reclassification	(768,128)	–	–	(768,128)
	1,866,145	–	756,387	2,622,532
	₱43,222,257	₱13,523,208	₱38,159,488	₱94,904,953

Dividends
Dividend income from the Company's subsidiaries, associates and joint venture are as follows:

	2015	2014
	(In Thousands)	
Subsidiaries:		
MPTC[(a)]	**₱2,016,786**	₱1,219,202
MWHC	**953,714**	475,831
Maynilad	**104,333**	51,922
MPHHI	**29,595**	–
CVHMC	–	80,000
RMCI	–	20,400
AHI	–	3,274
Associates:		
Meralco	**1,621,332**	–
DDH	–	17,251
MDI	–	26,603
Joint Venture - Beacon Electric		
Common shares (see Note 12)	**2,138,596**	4,450,000
Preferred shares	**405,063**	405,063
	₱7,269,419	₱6,749,546

(a) Includes dividend income from MPTC preferred shares amounting to ₱384.4 million and nil for the years ended December 31, 2015 and 2014.

MPTC
MPTC was acquired by MPIC in 2008. The acquisition also resulted in the Company's owning 100.0% of Metro Pacific Tollways Development Corporation (MPTDC), a wholly owned subsidiary of MPTC, an indirect ownership of 67.1% interest in MNTC, the concession holder of the NLEX, and 46.0% indirect interest in TMC, through MPTDC. In 2014, MPTDC entered into SPAs for the acquisition of additional MNTC common shares which brought MPTDC's ownership interest in MNTC to 75.6%.

On February 9, 2015, MNTC received the Notice of Award from the Bases Conversion and Development Authority (BCDA) for the management, operation and maintenance of the SCTEX following the results of the Price Challenge held last January 30, 2015. On February 26, 2015,

MNTC and BCDA signed the Business Agreement (BA) that binds MNTC and BCDA to a contract for the management, operation and maintenance of SCTEX until the end of the SCTEX concession period on October 30, 2043. At a consideration of ₱3.5 billion upfront cash payment, the management, operation and maintenance of the SCTEX was officially turned over to MNTC on October 27, 2015.

MPTC also has investment in CIC through a Management Letter Agreement. CIC holds the concession for the operation and maintenance of the CAVITEX, a 14-km long toll road built in two segments running from Parañaque to Cavite. The concession period extends until 2033 for the originally built road and until 2046 for the subsequent extension.

On January 14, 2015, MPTC entered into an equity investment and financing transaction with Ho Chi Minh City Infrastructure Investment Joint Stock Company (CII) that resulted in MPTC holding a significant minority equity interest equal to about 45% of the outstanding capital of CII B&R through a combination of purchase of CII B&R secondary shares from CII, and subscription to VND-denominated bonds to be issued by CII, which are exchangeable into secondary shares in CII B&R. Total consideration for the shares and bonds amounted to VND1,955.0 billion (approximately ₱4.1 billion). CII B&R (formerly Lu Gia Mechanical Electric Joint Stock Company) is a joint stock company established and existing under the laws of Vietnam and listed in Ho Chi Minh City Stock Exchange. CII B&R current portfolio comprises of five operating projects, namely (1) New Rach Chiec Bridge Project, (2) Phan Rang – Thap Cham Bypass (Phase 1) B.O.T. Project, (3) DT741 Road Project, (4) Sai Gon 2 Bridge B.T. Project and (5) Rach Mieu Bridge (Phase 1) B.O.T. Project. Two projects are under construction, namely (6) Ha Noi Highway Expansion B.O.T. Project and (7) Expansion of National Highway 1A B.O.T. Project. CII B&R has one project in the pipeline, the (8) Binh Trieu 2 Bridge (Part 2 – Phase 2) B.O.T. Project.

Metro Strategic Investments Holdings, Inc., a subsidiary of MPTC, on the other hand, holds 2.0% interest in Citra Metro Manila Tollways Corporation (CMMTC). CMMTC is engaged primarily in the design, construction and financing of the Metro Manila Skyway (in three stages) and the proposed Metro Manila Tollways projects.

In 2013, the Company subscribed to 67,716,000 MPTC preferred shares at a subscription price of ₱6,771.6 million. Features of the preferred shares included: (1) full voting rights as common shares, (2) subject to and upon declaration of MPTC's BOD, entitled to receive yearly cumulative dividends at 7% of the issue value before any dividends shall be set apart and paid to holders of common shares, and (3) redeemable at the option of MPTC.

In 2015, MPTC redeemed all of the preferred shares at a redemption price of ₱6,771.6 million and also paid dividends in arrears of ₱384.4 million. Moreover, in 2015, the Company also subscribed to a total of 5,250,000 shares with par value of ₱100 per shares at a total subscription price of ₱11,025.0 million. Of the amounts subscribed, ₱3,225.0 million remains outstanding as at December 31, 2015 and is included in the "Subscription payable" account (see Note 13).

On July 10, 2015, MPCALA Holdings, Inc. (MPCALA), a subsidiary of MPTDC, signed the Concession Agreement for the Cavite Laguna Expressway Project (CALAX) with the Department of Public Works and Highways (DPWH). Under the Concession Agreement, MPCALA is granted the concession to design, finance, construct, operate and maintain the CALAX, including the right to collect toll fees, over a 35-year concession period. The CALAX is a 44.63 kilometer closed-system tolled expressway connecting the Manila-Cavite Expressway and the SLEX. The CALAX

Project was awarded to MPCALA on March 28, 2015, following a competitive public bidding process where MPCALA was declared as the highest complying bidder with its offer to pay the government concession fees amounting ₱27.3 billion.

MWHC and Maynilad
In 2007, MWHC was incorporated as a joint venture by the Company and DMCI Holdings, Inc. (DMCI) to acquire and purchase, negotiate or otherwise deal with or dispose of stocks and bonds of Maynilad. By virtue of potential voting rights, MWHC became a subsidiary of the Company in 2008. In the same year, the Company also acquired 5.8% direct interest in Maynilad.

Maynilad holds the exclusive concession granted by the MWSS, on behalf of the Philippine Government, to provide water and sewerage services in the western area of Metro Manila. Maynilad also holds investment in Phil Hydro, Inc. (PHI) which engages in water distribution business in certain areas in central and southern Luzon. PHI is granted the sole right to distribute water in these areas under certain concession agreements granted by the Philippine government for 25 years until 2035.

MPWIC
On August 17, 2011, the Company incorporated MPWIC to carry on the general business of operating, managing, maintaining and rehabilitating waterworks, sewerage and sanitation systems and services, and to invest, purchase, acquire or own and dispose property of every kind in a corporation engaged in business or activities with the same purpose as MPWIC.

In 2013, MPWIC acquired 39% equity interest in Manila Water Consortium Inc. (MWCI). MWCI has 51% ownership in Cebu Manila Water Development, Inc. (CMWD) which holds a 20-year Water Purchase Agreement (WPA) for the supply of 18 million liters per day (mld) of water for the first year and 35 mld of water for the 2nd to 20th year to Metropolitan Cebu Water District (MCWD).

In December 2014, MPWIC entered into an agreement to operate and maintain the 100 mld bulk water facility of Rio Verde Water Consortium, Inc (RVWCI) located in Baungon, Bukidnon. RVWCI is the exclusive supplier of bulk surface water to Cagayan de Oro Water District which supplies the water needs of more than 80% of Cagayan de Oro's population of 640,000.

In September 2015, the consortium of Equi-Parco Construction Co. (EPCC), TwinPeak Hydro Resources Corporation (THRC), and MPWIC (collectively as the “Consortium”) was awarded the Joint Venture Project (JV Project) for the financing, rehabilitation, improvement, expansion, operation and maintenance of the Water Supply System of the Joint Venture Area covering the municipalities of Los Banos, Bay, Calauan and Victoria of the Province of Laguna. The Consortium organized EquiPacific HoldCo Inc. (EquiPacific) as a special purpose company to implement the JV Project. EquiPacific’s shareholders are EPCC (56%); MPWIC (30%) and THRC (10%). On November 3, 2015, the Consortium, EquiPacific and the Laguna Water District (LWD) entered into the Joint Venture Agreement (JV Agreement or JVA) for the financing, rehabilitation, improvement, expansion, operation and maintenance of the Water Supply System of the Laguna Water District. Pursuant to the JV Agreement, EquiPacific and LWD created and established Laguna Water District Aquatech Resources Corp. (LARC) with the primary purpose to act as operator, contractor and/or agent of the Laguna Water District in performing the mandate of the LWD under the Provincial Water Utilities Act of 1972 (or Presidential Decree No. 198) and in relation thereto shall be responsible for the financing, rehabilitation, improvement, expansion, operation and maintenance of the water supply system of the LWD. LARC’s shareholders are EquiPacific (90%) and LWD (10%).

In November 2015, MPWIC formally received the Notice of Award for the Iloilo Bulk Water Supply Project from the Metro Iloilo Water District (MIWD) pursuant to the provisions of the 2013 NEDA Guidelines on joint venture. A joint venture company will be formed by MPWIC and MIWD to rehabilitate, expand, operate, and maintain MIWD's existing water production facilities.

MPWIC will hold an 80% interest in the JV. This project will provide up to 170 million liters per day of bulk water supply to MIWD in the next 25 years. The JV Agreement for the Project will be executed upon the satisfaction of certain conditions precedent. On January 8, 2016, MPWIC incorporated MetroPac Iloilo Holdings Corporation (MILO), as a special purpose company to implement this JV Agreement.

On December 16, 2015, MPWIC completed the acquisition of 1,960,000 common shares representing 49% of the capital stock of Watergy Business Solutions, Inc. (WBSI) from seller, MacroAsia Properties Development Corporation (MAPDC). Fifty percent (50%) of the total purchase price of ₱37.1 million was settled on December 16, 2015 while the balance equivalent to 50% will be settled upon delivery of additional closing documentation by MAPDC.

WBSI is a party to the Contractual Joint Venture Agreement (Contractual JVA) that was entered into by the Maragondon Water District (MWD) and the Watergy Business Solutions Consortium (WBSC). The purpose of the Contractual Joint Venture Agreement, dated July 12, 2011, was to develop a bulk water supply project to be sourced from the Maragondon River, install and operate the water treatment plant and deliver treated water to off-takers. The agreement shall be for a period of 25 years from the commencement date. Commencement date has not taken place as of December 31, 2015.

MPLRC

On April 12, 2011, the Company incorporated MPLRC for the purpose of (a) engaging in the development, construction, operation, repair, maintenance, management and other allied business involving infrastructure projects, such as railways, railroads and other transport systems, airports, tollways, piers and other public works except electrical energy projects, for the private and public sector; (b) investing in such projects whether as shareholder, partner or otherwise; and (c) bidding and negotiating for such projects.

On October 2, 2014, MPLRC's subsidiary, Light Rail Manila Corporation (LRMC; effective ownership interest at 55% as at December 31, 2015 and 2014) signed together with the Department of Transportation and Communications (DOTC) and the Light Rail Transit Authority (LRTA) the 32-year Concession Agreement for the ₱65-billion Light Rail Transit Line 1 Cavite Extension and Operations & Maintenance Project (LRT Project). LRMC was formally awarded the LRT Project by the DOTC and LRTA after the consortium of MPLRC, AC Infrastructure Holdings Corporation (AC Infra) and Macquarie Infrastructure Holdings (Philippines) PTE Ltd. (MIHPL) submitted the lone bid with a premium of ₱9.35 billion. On September 12, 2015, LRMC took over the operations and maintenance of LRT Line 1 from DOTC and LRTA.

Under the Concession Agreement, LRMC will operate and maintain the existing LRT Line 1 and construct an 11.7-km extension from the present end-point at Baclaran to the Niog area in Bacoor, Cavite. A total of eight new stations will be built along this route, which traverses the cities of Parañaque and Las Piñas up to Bacoor, Cavite.

MPHHI and Hospitals
MPHHI is the Company's holding company for its investment in the healthcare segment. In 2014, MPIC restructured its investments in the hospital companies by transferring the following directly owned hospitals to MPHHI:

- Bumrungrad International Philippines Inc. (BIPI) which owns 27.5% interest in Asian Hospital Inc. (AHI);
- AHI at a direct ownership of 5.7%;
- Riverside Medical Center, Inc. (RMCI);
- Medical Doctors, Inc. (MDI);
- Davao Doctors Hospital, Inc. (DDH);
- East Manila Hospital Managers Corp. (EMHMC), operator of Our Lady of Lourdes Hospital ("OLLH"); and
- Colinas Verdes Hospital Managers Corporation (CVHMC), operator of Cardinal Santos Medical Center.

The transfer of the abovementioned hospitals resulted in a gain of ₱849.2 million, net of ₱95.8 million transaction costs (see Notes 15 and 17).

On July 2, 2014, GIC, through Arran Investment Private Limited, invested ₱3.7 billion for a 14.4% interest in MPHHI. GIC also advanced to MPIC ₱6.5 billion by way of an Exchangeable Bond which can be exchanged into a 25.5% stake in MPHHI in the future, subject to certain conditions. This transaction decreased MPIC's ownership in MPHHI from 100.00% to 85.62% as at December 31, 2014 and at 60.1% on a fully diluted basis upon conversion of the Exchangeable Bond to common shares in the future (see Note 21).

In 2015, MPHHI entered into the following transactions that increased its portfolio of investments in hospital operations:

- MPHHI formed a wholly-owned subsidiary, Metro Pacific Zamboanga Hospital Corporation (MPZHC), which signed on March 27, 2015 a long term lease of the land, buildings and equipment owned by Western Mindanao Medical Center Inc., a hospital with a 25-year history of service in Zamboanga. The lease became effective on June 1, 2015 with MPZHC operating the hospital under the trade name West Metro Medical Center.

- On November 5, 2015, Metrobank Foundation Inc. (MBFI) and MPHHI signed a Memorandum of Understanding for MPHHI to acquire a 20% equity stake in Manila Medical Services, Inc. (MMSI), the corporation that owns and operates Manila Doctors Hospital (MDH), a 300-bed tertiary hospital located in Manila. The acquisition was completed on December 28, 2015 for ₱368.0 million.

- MPHHI together with Sacred Heart Hospital of Malolos, Inc. (SHHM) entered into an Investment Agreement on December 16, 2015. Under the agreement, MPHHI is investing ₱150.0 million in SHHM for a 51% equity interest. SHHM is a level 2 hospital in the capital city of Bulacan. This investment transaction is expected to be completed in 2016 upon the fulfillment of certain conditions specified in the Agreement.

- On December 3, 2015, MPHHI incorporated First Call 24/7 Corporation, as a wholly-owned subsidiary intended to own and operate an information and communications technology facility that will engage in the telehealth business.

MGGW
MPIC and Global Green International Energy (GGIE), a Singapore-based company, have partnered to develop a renewable energy / waste management project. On November 7, 2014, MPIC and GGIE incorporated MGGW, as an investment holding company for the waste-to-energy projects. However, in 2015 MPIC terminated its Investment Agreement with GGI Energy Pte. Ltd. to develop a waste-to-energy facility in Tagum, Davao del Norte, for non-completion of the conditions precedent under the Investment Agreement by the stipulated long stop date.

Notwithstanding the termination of the investment agreement with GGIE, MPIC intends to continue pursuing waste-to-energy projects.

MPIC-JGS
On March 11, 2013, the Company and JG Summit Holdings, Inc. (JG Summit) formed MPIC-JGS to bid for the ₱17.5 billion Mactan Cebu International Airport Passenger Terminal Project. However, MPIC-JGS was not declared as the winning bidder for this project.

On February 15, 2016, the BOD of MPIC-JGS approved the shortening of the corporate life of MPIC-JGS to until February 15, 2016.

MIHL
MIHL holds investment in FPM Infrastructure Holdings Limited (FPM Infra), a BVI company. On July 31, 2014, FPC transferred its 75% shareholding in FPM Infra to MIHL for a consideration of approximately US$101.25 million (or ₱4.3 billion). As a result of the transaction, FPM Infra became a wholly-owned subsidiary of MPIC through MIHL. The transaction was settled on August 7, 2014 with the acquisition of 4,875 shares of FPM Infra for US$20,769.23 per share.

FPM Infra effectively holds 100% equity interest in AIF Toll Road Holdings (Thailand) Limited (AIF), which sole purpose is to hold the 29.45% equity interest in Don Muang Tollway Public Ltd (DMT), a major toll road operator in Bangkok, Thailand. DMT has a concession that runs until 2034 for the operation of a 21.9-kilometer six-lane elevated toll road from central Bangkok to Don Muang International Airport and further to the National Monument, north of Bangkok.

In 2014, DMT shares owned by AIF were pledged as security for the Term Loan Facility Agreement with Thanachart Bank Public Company Limited amounting to Baht 2,100 million (or approximately US$65 million) payable until November 2021. The loan is subject to a floating interest of Minimum Lending Rate minus 1.50% per annum and is secured by a standby letter of credit issued by MPIC with a face amount of US$45.0 million. All dividend proceeds in respect of the investment in DMT shall be applied to repay this loan.

FCHI
On March 23, 2012, the Company incorporated FCHI which main activity is to hold shares of stocks of companies, condominium units and other properties purely for investment purposes only. FCHI acquires real estate properties which are used to house or accommodate consultants and other guests of the Company, its affiliates, subsidiaries and other related companies.

NOHI
NOHI became a subsidiary of the Company in 2006 as a result of shares swap between MPHI, Metro Pacific Resources, Inc. (MPRI), Intalink B.V. and FPIL. NOHI is engaged in the business of real estate investments and property development, investment holding and management services.

On July 18, 2012, the BOD of NOHI approved the shortening of the corporate life of NOHI to until December 31, 2013. NOHI is currently under the process of liquidation but holds investments in properties that have high market values based on latest appraisal and valuation report.

Meralco and Beacon Electric
The Company has 50% ownership interest in Beacon Electric. Beacon Electric was organized with the sole purpose of holding the respective shareholdings in Meralco of PCEV and the Parent Company and for subsequent acquisitions of Meralco shares.

Beacon Electric, PCEV and MPIC have agreed, under the Omnibus Investment Agreement, on certain corporate governance matters, including Board composition, election of officers, shareholders' action, representation to the Meralco Board, nomination of the Meralco Board Committees, and nomination of Meralco officers. In substance, Beacon Electric is a special purpose vehicle which PCEV and MPIC created for the main purpose of holding and investing in Meralco using the same Meralco shares as collateral for funding such investment. It is management's view that the Omnibus Investment Agreement effectively delegates the decision making power of Beacon Electric over the Meralco shares to PCEV and MPIC and that Beacon Electric does not exercise any discretion over the vote to be taken in respect of the Meralco shares but is obligated to vote the Meralco shares strictly in accordance with the instructions of the two shareholders.

Meralco is a Philippine corporation with its shares listed on the PSE. It acts as the buying, billing, collecting and customer service agent for the electricity supply chain and is the largest distributor of electricity in the Philippines with its franchise valid until 2028.

As at December 31, 2013, Beacon Electric's interest in Meralco was at 49.96%. However, MPIC, with the conformity of PCEV, entered into the following transactions:

- Share Purchase Agreement dated June 24, 2014 for the sale of Beacon Electric's 56.35 million shares, comprising approximately 5%, in Meralco at a price of ₱235.0 per share for an aggregate consideration of ₱13.24 billion (see Note 12). The transaction was completed through a block sale at the PSE on June 26, 2014. The consideration payable by the Company to Beacon Electric was settled as to ₱3.0 billion immediately and the remaining balance fully settled in February 2015. The Company received dividends from Beacon Electric at the same time as it settled payments for this transaction such that the Company's net cash investment in the transaction amounted to ₱6.6 billion.

- Share Purchase Agreement dated April 14, 2015 for the sale of Beacon Electric's 112.7 million Meralco shares (or 10% of Meralco's outstanding common shares) to MPIC ₱235.0 per share, for a total consideration of ₱26.5 billion plus certain recoverable costs, to be paid as follows: (i) ₱1.0 billion immediately, (ii) ₱17.0 billion in June 2015, and (iii) the remaining balance on or before July 2016 (see Note 12). MPIC expects to receive dividend of ₱4.24 billion from Beacon Electric at the same time it settles the July 2016 payment such that MPIC's net investment is at ₱22.2 billion plus certain recoverable costs. The transaction was completed through a block sale at the PSE on April 17, 2015.

The abovementioned transactions resulted to the increase of MPIC's effective ownership in Meralco at 27.48% as at December 31, 2014 to 32.48% as at December 31, 2015.

Fair value of Beacon Electric's investment in Meralco, based on the quoted price as at December 31, 2015 and 2014 amounted to ₱125.6 billion and ₱129.5 billion, respectively. While the fair value of MPIC's direct investment in Meralco based on the quoted price as at December 31, 2015 and 2014 amounted to ₱53.9 billion and ₱14.4 billion, respectively.

MPIC also has investment in Beacon Electric's preferred shares that are classified as "AFS financial assets" but are presented as part of "Investments and advances". As at December 31, 2015 and 2014, the total cumulative dividends on preferred shares not yet declared by Beacon Electric amounted to ₱3,240.5 million and ₱2,430.4 million, respectively.

AFPI

On January 30, 2014, the AF Consortium received the Notice of Award from the Department of Transportation and Communications declaring it the winning bidder for ₱1.72 billion contactless Automated Fare Collection System (AFCS) Project. The AF Consortium is composed of BPI Card Finance Corporation as lead member, Globe Telecom, Inc., AC Infrastructure Holdings Corp., Smart Communications, Inc., Meralco Financial Services Corporation, and MPIC. The contactless payment system will facilitate efficient passenger transfer to other rail lines, and enhance fare collection efficiency.

Notice of award for the AFCS Project was received on February 23, 2014 and on March 31, 2014, the concession agreement was signed. On February 10, 2014, the AFPI was incorporated by the members of the AF Consortium with the Company holding 20% of the total shares subscribed.

Full System Acceptance (FSA) took place on December 16, 2015. The project's concession period is for 10 years from the FSA date.

As at December 31, 2015 and 2014, investment in AFPI amounted to ₱503.2 million, including the unpaid subscription amounting to ₱43.2 million and ₱203.2 million, respectively.

FGNEC

MPIC subscribed for 250,000 common shares, representing 33.3% interest of FGNEC, at ₱1.0 per share or ₱0.3 million initial investment on March 17, 2010. FGNEC participated in the bidding for the proposed sale of the 246 MW Angat Hydroelectric Power Plant ("Angat") but was only declared as the second ranking bidder.

On July 22, 2015, the BOD of FGNEC approved the shortening of the corporate life of FGNEC to until December 31, 2016.

MPLC

On September 1, 2015, MPLC was incorporated with the primary purpose of engaging in the business of logistics services relating to products, commodities, articles, and goods, including but not limited to, storage, warehousing, warehouse and inventory management, transport and delivery. MPLC owns 60% ownership interest in Metropac Movers, Inc. (MMI).

In September 2015, MMI was awarded the project to provide warehouse management services to Agri-Pacific Corporation in accordance with its technical and financial proposal. The engagement is for an initial term of one year, extendible upon mutual agreement of the parties. While the commercial terms of the engagement has been agreed, as at March 1, 2016, the Parties are still in the process of finalizing the Service Agreement.

As at December 31, 2015, investment in MPLC amounted to ₱25.0 million, including unpaid subscription amounting to ₱11.0 million.

Indra Phils.
On October 14, 2015, MPIC acquired from Meralco 84,012 common shares, comprising 24.95% of the outstanding capital stock of Indra Phils. for an aggregate purchase price of ₱326.5 million. Indra Phils. is a joint venture of Indra Sistemas, S.A. and Meralco, which has international knowledge, experience and track record in the information technology business. Indra Phils. is one of the leading provider of information technology solutions to various businesses and industries in the Philippines, with engagements in utilities and telecommunications, financial services and public administration.

9. Other Noncurrent Assets

As at December 31, this account consists of:

	2015	2014
	(In Thousands)	
Deposits [a]	**₱474,495**	₱474,495
Property and equipment	**52,290**	69,120
AFS financial assets	**38,000**	37,000
Software cost	**16,234**	32,534
Pension asset (see Note 16)	**10,762**	–
Deposits for LTIP [b] (see Notes 7 and 16)	**–**	344,855
Others	**5,876**	9,337
	₱597,657	₱967,341

a. Deposits substantially relate to the various agreements entered into with Fil-Estate Corporation and its affiliated companies, and with Anglo Philippines Holdings Corporation and DBH Incorporated. The agreements relate to the options to acquire certain rights and interests in the MRT 3 companies consisting of Metro Rail Transit Holdings, Inc. (MRTH), Metro Rail Transit Holdings II, Inc. (MRTH-II), Metro Rail Transit Corporation (MRTC) and Monumento Rail Transit Corporation (MNRTC) subject to the condition that the necessary consents and waivers from relevant parties are obtained. Should the acquisition push through, these deposits will form part of the acquisition price. Otherwise, these will be forfeited and charged to expense.

b. On December 18, 2013, the Company entered into an IMA with a Trustee Bank to fund the 2013-2015 LTIP program which is to be paid in 2016 (see Note 16). With the scheduled settlement of the LTIP liability in 2016, the balance of the LTIP fund for the 2013-2015 LTIP program was presented as "Deposits" in the "Other current assets" (see Note 7) as at December 31, 2015.

AFS financial assets. Except for Manila Polo Club and NEPSCC, AFS financial assets are carried at cost as there are no reliable sources and bases for subsequent fair value determination. This account comprises of:

	2015	2014
	(In Thousands)	
Shares of stock in:		
Pacific Global One Aviation Co., Inc. (PGOACI) [a]	**₱25,000**	₱25,000
Manila Polo Club [b]	**13,000**	12,000
	₱38,000	₱37,000

a. On September 26, 2011, the Company co-incorporated PGOACI with Philippine Long Distance Telephone Company (PLDT), Meralco PowerGen Corporation, Philex Mining Corporation, MPTC and Jubilee Sky Limited, to operate as a private aviation firm. The Company invested ₱25.0 million for an equity ownership of 10% (see Note 3).

b. In 2011, the Company purchased golf share costing ₱7.0 million. As at December 31, 2015 and 2014, fair value of golf share in Manila Polo Club amounted to ₱13.0 million and ₱12.0 million, respectively. Changes in fair value were recognized in other comprehensive income.

Software Cost. Software cost represents costs of the Company's accounting and reporting system with estimated useful life of 5 years as follows:

	December31, 2013	Additions/ Amortization	**December 31, 2014**	**Additions/ Amortization**	**Disposal**	**December 31, 2015**
			(In Thousands)			
Cost	₱89,711	₱630	**₱90,341**	**₱2,072**	**(₱11)**	**₱92,402**
Less accumulated amortization	39,640	18,167	**57,807**	**18,366**	**(5)**	**76,168**
	₱50,071	(₱17,537)	**₱32,534**	**(₱16,294)**	**(₱6)**	**₱16,234**

Property and Equipment. The account consists of:

	December 31, 2014	**Additions/ Depreciation**	**Disposals**	**December 31, 2015**
		(In Thousands)		
Cost:				
Transportation equipment	**₱77,592**	**₱11,066**	**(₱22,981)**	**₱65,677**
Leasehold improvements	**34,310**	**2,674**	**–**	**36,984**
Office equipment	**10,839**	**176**	**–**	**11,015**
Computer equipment	**15,749**	**3,602**	**(861)**	**18,490**
Furniture and fixtures	**6,236**	**716**	**–**	**6,952**
	144,726	**18,234**	**(23,842)**	**139,118**
Less accumulated depreciation:				
Transportation equipment	**27,454**	**12,496**	**(10,751)**	**29,199**
Leasehold improvements	**24,741**	**5,736**	**–**	**30,477**
Office equipment	**5,156**	**684**	**–**	**5,840**
Computer equipment	**12,795**	**3,379**	**(784)**	**15,390**
Furniture and fixtures	**5,460**	**462**	**–**	**5,922**
	75,606	**22,757**	**(11,535)**	**86,828**
	₱69,120	**(₱4,523)**	**(₱12,307)**	**₱52,290**

	December 31, 2013	Additions/ Depreciation	Disposals	December 31, 2014
		(In Thousands)		
Cost:				
Transportation equipment	₱70,067	₱27,905	(₱20,380)	₱77,592
Leasehold improvements	32,208	2,102	–	34,310
Office equipment	10,182	657	–	10,839
Computer equipment	14,897	1,852	(1,000)	15,749
Furniture and fixtures	6,006	250	(20)	6,236
	133,360	32,766	(21,400)	144,726
Less accumulated depreciation:				
Transportation equipment	27,479	13,959	(13,984)	27,454
Leasehold improvements	19,007	5,734	–	24,741
Office equipment	4,252	904	–	5,156
Computer equipment	10,408	3,267	(880)	12,795
Furniture and fixtures	4,712	749	(1)	5,460
	65,858	24,613	(14,865)	75,606
	₱67,502	₱8,153	(₱6,535)	₱69,120

The Company's property and equipment are depreciated over a period of two to five years computed on a straight-line basis or for leasehold improvements, over the term of the lease, whichever is shorter.

10. Accrued Expenses and Other Current Liabilities

This account consists of:

	2015	2014
	(In Thousands)	
Accrued expenses and other payables (see Note 15):		
Personnel costs	**₱175,691**	₱225,411
Fringe benefit tax	**149,789**	117,721
Professional fees	**7,814**	24,836
Others	**204,718**	95,064
LTIP payable (see Notes 13 and 16)	**562,954**	–
Interest payable (see Note 11) [(a)]	**195,930**	198,912
Accounts payable	**27,019**	67,265
Others [(b)]	**56,732**	87,777
	₱1,380,647	₱816,986

a. Interest payable amounting to ₱193.2 million and ₱188.0 million as at December 31, 2015 and 2014 pertains to the interest charges from MPIC's long-term bank loans, generally settled semi-annually (see Note 11). Interest payable amounting to ₱2.7 million and ₱10.9 million as at December 31, 2015 and 2014, respectively, constitutes the current portion of the present value of the interest due on the Exchangeable Bond (see Notes 13 and 21).

b. Other current liabilities include statutory payables which represent government remittances pertaining to VAT payable, expanded withholding taxes and contributions to Social Security System, Philippine Health Insurance Corporation and Home Development Mutual Fund.

11. **Long-term Debt**

MPIC's outstanding loan comprises of the following:

Description	Interest Rate (per annum)	Terms	**2015**	2014
			(In Thousands)	
₱6.48 Billion Fixed Rate Note with BDO	7.5% p.a. for the first 5 years, subject to repricing on 5th year	Availed of in 2013; payable in 10 years with semiannual interest payment	**₱6,293,000**	₱6,382,800
₱25.0 Billion Facility:				
▪ *₱10.0 Billion facility from Bank of the Philippine Islands (BPI)*	Fixed interest ranging from 5.2427% to 5.8850% p.a.	₱9.25 billion drawn on various dates in 2015; principal payable semi-annually within ten years from and after initial drawdown date	**9,250,000**	–
▪ *₱10.0 Billion facility from Philippine National Bank (PNB)*	Fixed interest for the first 5 years subject to repricing on 5th year; fixed interest ranging from 4.9253% to 5.7947% p.a.	₱9.25 billion drawn on various dates in 2015; principal payable semi-annually within 10 years from and after initial drawdown date.	**9,250,000**	–
▪ *₱5.0 Billion facility from BDO Unibank, Inc.*	5.3906% p.a. for the first 5 years subject to repricing on the 5th year	Drawn in 2015; principal payable semiannually within 10 years from and after initial drawdown date	**5,000,000**	–
			29,793,000	6,382,800
Less unamortized debt issue costs			**114,642**	–
Less current portion of long-term debt (net of unamortized debt issue costs of ₱10.2 million and nil in 2015 and 2014, respectively)			**382,121**	64,800
Noncurrent portion of long-term debt			**₱29,296,237**	₱6,318,000

On April 14, 2015, MPIC entered into separate agreements to secure loan facilities in the aggregate amount of ₱25.0 billion (*₱25.0 Billion Facility*), proceeds of which were used to partially finance the acquisition of 10% of the total issued and outstanding common shares of Meralco held by Beacon Electric (see Notes 8 and 12), investment in other projects and for other general corporate purposes. As at December 31, 2015, the undrawn amount from these facilities amounted to ₱1.5 billion available until March 1, 2016.

On December 1, 2015, MPIC entered into separate agreements to secure loan facilities in the aggregate amount of ₱16.5 billion, proceeds of which will be used by MPIC to finance its investment in various projects and for other general corporate purposes. Specifically, these loan agreements relate to:

- a 10-year fixed-rate term loan of ₱10.0 Billion from BDO Unibank, Inc.; and
- a 10-year fixed-rate term loan of ₱6.5 Billion from China Banking Corporation.

These facilities, which are undrawn as of December 31, 2015, are available up to July 31, 2016 and December 1, 2016 for the ₱10.0 billion and ₱6.5 billion, respectively.

Covenants. The *₱6.48 Billion Fixed Rate Note* contain, among others, covenants regarding maintenance of reserve account (see Note 7) and achieving certain financial ratios such as (1) debt-to-equity ratio not to exceed 70:30; and (2) debt-service coverage ratio at a minimum of 1.3 times. The *₱6.48 Billion Fixed Rate Note* contains a negative pledge on all existing and future assets of MPIC and is redeemable at the option of the Noteholder, in whole but not in part, on the 5th year (2018), by giving written notice of early redemption no earlier than 60 days or later than 30 days prior to the exercise date.

The loans drawn from the *₱25.0 Billion Facility* contain, among others, covenants regarding maintenance of reserve account and achieving certain financial ratios such as (1) debt-to-equity ratio not to exceed 70:30; and (2) debt-service coverage ratio at a minimum of 1.1 times and contains a negative pledge on all existing and future assets of MPIC.

As at December 31, 2015 and 2014, MPIC has complied with all its debt covenants.

Future repayments of principal are as follows:

	2015	2014
	(In Thousands)	
2015	**₱–**	₱64,800
2016	**392,300**	64,800
2017	**299,800**	64,800
2018	**753,400**	64,800
2019 and onwards	**28,347,500**	6,123,600
	₱29,793,000	₱6,382,800

12. Related Party Transactions

Enterprises and individuals that directly or indirectly, through one or more intermediaries, control, are controlled by or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close family members of these individuals, and companies associated with these individuals also constitute related parties. In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

The following table summarizes the total amount of transactions with related parties for the relevant year:

	Relationship		Management Fees (see Note 17)	Interest Income (see Note 17)	Dividend Income (see Note 8)	Rent and Utilities Expense (see Note 15)	Donations (see Note 15)	Total
						(In Thousands)		
MWHC	Subsidiary	**2015**	**₱–**	**₱–**	**₱953,714**	**₱–**	**₱–**	**₱953,714**
		2014	–	–	475,831	–	–	475,831
Maynilad	Subsidiary	**2015**	**–**	**–**	**104,333**	**–**	**–**	**104,333**
		2014	–	–	51,922	–	–	51,922
MPTC	Subsidiary	**2015**	**–**	**–**	**2,016,786**	**–**	**–**	**2,016,786**
		2014	–	–	1,219,202	–	–	1,219,202
Beacon Electric	Joint Venture	**2015**	**–**	**–**	**2,543,659**	**–**	**–**	**2,543,659**
		2014	–	–	4,855,063	–	–	4,855,063
Meralco	Associate	**2015**	**–**	**–**	**1,621,332**	**–**	**–**	**1,621,332**
		2014	–	–	–	–	–	–
AHI	Subsidiary	**2015**	–	–	**–**	**–**	**–**	**–**
		2014	7,873	–	3,274	–	–	11,147
RMCI	Subsidiary	**2015**	**–**	**–**	**–**	**–**	**–**	**–**
		2014	–	–	20,400	–	–	20,400
EMHMC	Subsidiary	**2015**	–	–	–	**–**	**–**	**–**
		2014	16,978	–	–	–	–	16,978
CVHMC	Subsidiary	**2015**	–	–	–	–	–	–
		2014	20,682	–	80,000	–	–	100,682
MDI	Associate	**2015**	–	–	**–**	–	–	**–**
		2014	–	–	26,603	–	–	26,603
DDH	Associate	**2015**	–	–	**–**	–	–	**–**
		2014	–	–	17,251	–	–	17,251
MPHHI	Subsidiary	**2015**	**2,040**	**–**	**29,595**	**–**	**–**	**31,635**
		2014	–	1,488	–	–	–	1,488
PLDT	Associate of FPC	**2015**	**–**	**–**	**–**	**18,023**	**1,000**	**19,023**
		2014	–	–	–	21,637	–	21,637
MPV Sports Foundation	Affiliate	**2015**	**–**	**–**	**–**	**–**	**1,250**	**1,250**
		2014	–	–	–	–	–	–
One Meralco	Affiliate	**2015**	**–**	**–**	**–**	**–**	**12,590**	**12,590**
		2014	–	–	–	–	10,000	10,000
		2015	**₱2,040**	**₱–**	**₱7,269,419**	**₱18,023**	**₱14,840**	**₱7,304,322**
		2014	₱45,533	₱1,488	₱6,749,546	₱21,637	₱10,000	₱6,828,204

The Company, in the normal course of business, has other transactions with the related parties. Outstanding transactions are carried in the Company statements of financial position under the accounts listed below. The Company provides management advisory advices to its subsidiaries covered by a management agreement. Management fees are non-interest bearing, unsecured, requires cash settlement, and are not impaired. Advances are due and demandable, non-interest bearing, unsecured and requires cash settlement.

	Nature of Transaction	Due from related parties: 2015	2014	Due to related parties: 2015	2014
				(In Thousands)	
Subsidiaries					
NOHI	Advances	**₱–**	₱–	**₱358,443**	₱358,457
MPWIC	Advances	**272**	171	**–**	–
MPHHI	Advances and accrued interest	**11,478**	4,812	**5**	–
CVHMC	Management fees	**–**	11,850	**–**	–
EMHMC	Management fees	**–**	10,112	**–**	–
MPLRC	Advances	**106**	–	**–**	–
AHI	Management fees	**–**	4,415	**–**	–
MJAHI	Advances	**4**	–	**–**	140
MPTC	Advances	**578**	582	**–**	–
Maynilad	Advances	**364**	538	**–**	–
FCHI	Advances	**–**	228	**–**	11
Joint Venture in which the Company is a venturer					
Beacon Electric	Advances	**–**	4,531	**–**	–
	Payable	**–**	–	**8,450,323**	7,187,871
Associates					
Meralco	Advances	**5**	290	**–**	–
AFPI	Advances	**–**	808	**–**	–
TMC	Advances	**6**	–	**–**	–
*Other related parties**					
FPC	Advances	**1,693**	3,257	**–**	–
LRMC		**–**	55	**–**	–
Metro Pacific Investments Foundation, Inc. (MPIF)	Advances	**896**	896	**–**	–
Ideaspace Foundation Inc. (Ideaspace)	Advances	**–**	1,836	**660**	–
PLDT	Advances	**144**	144	**–**	–
Others	Advances	**1,042**	811	**109**	109
		16,588	45,336	**8,809,540**	7,546,588
Less current portion		**16,588**	45,336	**8,809,540**	7,546,588
		₱–	₱–	**₱–**	₱–

**Other related parties are indirect subsidiaries, parent company or companies under common control or management.*

Beacon Electric

Due to Beacon Electric as at December 31, 2015 and 2014 pertains to the outstanding amount of the purchase price of Meralco shares acquired in April 2015 and June 2014, respectively (see Note 8).

NOHI

The balance represents the various advances made for MPIC to pay documentary stamp taxes for MPIC's various loans and issuance of common shares, payment for software costs and advances to finance MPIC's daily operations in prior years.

MPWIC

In 2013, the Company made advances to MPWIC amounting to ₱102.0 million which amount was extended by MPWIC to Manila Water Consortium Inc. for the Cebu Water project. The advances were fully settled by MPWIC in January 2014. The remaining advances for 2015 and 2014 pertain to intercompany charges for share in certain operating and administrative costs.

MPHHI

MPIC's receivables from MPHHI consist of the following:

- MPHHI Shareholder Loan which pertains to an interest bearing loan with a principal amount of ₱30.0 million owed by MPHHI to Bumrungad International Limited's (BIL) under the Omnibus Loan and Pledge Agreement dated February 18, 2005. BIL assigned to MPIC its rights to loans and advances through a Deed of Assignment (VCI Assignment) signed on

December 6, 2011. The MPHHI Shareholder Loan is subject to 10% interest per annum with a maturity date of February 15, 2015. The principal amount was fully paid in 2014 while the accrued interest as of December 31, 2015 and 2014 amounted to ₱4.8 million.

- Management fees and other intercompany charges for the share in certain operating and administrative costs amounting to ₱6.7 million and nil as at December 31, 2015 and 2014, respectively.

Others
Other transactions with related parties (MPIF, FPC, Meralco, MPTC, Maynilad and others) are mainly advances to finance various projects as well as intercompany charges for share in certain operating and administrative advances. These intercompany accounts are non-interest bearing.

Compensation of Key Management Personnel
The compensation and benefits of the Company's key management personnel for the years ended December 31, 2015 and 2014 are as follows:

	2015	2014
	(In Thousands)	
Short-term employee benefits	**₱272,131**	₱382,444
Post employment benefits - Retirement cost (see Notes 15 and 16)	**19,462**	25,709
Share-based payment - ESOP (see Notes 15 and 19)	**16,720**	49,944
Other employee benefits:		
LTIP expense (see Notes 15 and 16)	**247,927**	194,832
Others	–	3,591
	₱556,240	₱656,520

Directors' Remuneration
Annual remuneration of the directors amounted to ₱2.7 million and ₱3.8 million for the years ended December 31, 2015 and 2014, respectively (see Note 15). Independent and non-executive directors were also allocated a total of 30 million common shares under the Company's share option scheme (see Note 19).

Non-executive directors are entitled to a per diem allowance of ₱50,000 for each attendance in the Company's Board meetings and ₱30,000 for each attendance in the Company's Committee meetings. The Company's By-Laws provide that an amount equivalent to 1.0% of net profit after tax of the Company shall be allocated and distributed among the directors of the Company who are not officers of the Company or its subsidiaries and affiliates, in such manner as the BOD may deem proper. No accrual was made with respect to this scheme for the years ended December 31, 2015 and 2014 in the absence of resolution from the BOD. There are no other special arrangements pursuant to which any director will be compensated.

13. **Other Noncurrent Liabilities**

This account consists of:

	2015	2014
	(In Thousands)	
Subscription payable (see Notes 8 and 24)	**₱3,279,234**	₱203,235
Interest payable (see Notes 10 and 21)	**150,272**	142,557
LTIP payable (see Notes 10 and 16)	–	342,560
Accrued retirement cost (Note 16)	–	13,885
	₱3,429,506	₱702,237

Interest payable pertains to the noncurrent portion of the present value of the interest due on the Exchangeable Bond (see Notes 10 and 21).

14. **Equity**

Details of authorized and issued capital stock follow:

		Common shares		Preferred Shares – Class A		Preferred Shares – Class B	
		No. of Shares	**Par Value/ Issue Price per share**	No. of Shares	**Par Value/ Issue Price per share**	No. of Shares	**Price per share**
Authorized Capital Stock (ACS):							
Registration Date	**Activity**						
March 20, 2006	Incorporation	100,000	₱1.00				
June 5, 2006	Increase in ACS	4,599,900,000	1.00				
As at December 31, 2007 and 2006		4,600,000,000	1.00				
August 12, 2008	Increase in ACS	7,350,000,000	1.00	5,000,000,000	₱0.01		
As at December 31, 2008		11,950,000,000	1.00	5,000,000,000	0.01		
February 13, 2009	Increase in ACS	8,050,000,000	1.00	–	–	1,500,000,000	₱1.0
December 21, 2009	Increase in ACS	2,688,518,336	1.00	–	–	–	–
As at December 31, 2010 and 2009		22,688,518,336	1.00	5,000,000,000	0.01	1,500,000,000	1.0
May 31, 2011	Increase in ACS	5,811,481,664	1.00	–	–	–	–
As at December 31, 2012, 2013 and 2014		28,500,000,000	1.00	5,000,000,000	0.01	1,500,000,000	1.0
October 26, 2015	Reclassification of shares	–	–	15,000,000,000	0.01	(150,000,000)	1.0
As at December 31, 2015		28,500,000,000	1.00	20,000,000,000	0.01	1,350,000,000	1.0
Issued and Outstanding:							
Date	**Activity**						
September 6, 2006	Original subscription of MPIC's majority shareholders	968,820,495	1.00	–	–	–	–
October 23, 2006	Issuance of shares to NOHI majority owners in exchange for MPIC shares	181,290,038	1.00	–	–	–	–
November 8, 2006	Tendered shares of NOHI minority shareholders in exchange for MPIC shares	48,841,989	1.00	–	–	–	–
As at December 31, 2006		1,198,952,522	1.00	–	–	–	–
December 31, 2007	Tendered shares of NOHI minority shareholders in exchange for MPIC shares	143,966,271	1.00	–	–	–	–
As at December 31, 2007		1,342,918,793	1.00	–	–	–	–
June 30, 2008	Additional subscription of MPIC's majority shareholders	3,791,525,175	2.00	–	–	–	–
June 30, 2008	Conversion of loan from MPHI to equity	1,893,282,845	1.00	–	–	–	–

(Forward)

		Common shares		Preferred Shares – Class A		Preferred Shares – Class B	
		No. of Shares	**Par Value/ Issue Price per share**	No. of Shares	**Par Value/ Issue Price per share**	No. of Shares	**Price per share**
As at December 31, 2008		7,027,726,813	₱1.00	–	–	–	–
February 13, 2009	Issuance on existing subscriptions from MPHI	2,389,040,000	2.00	–	–	–	–
July 9, 2009	Issuance on existing subscriptions from LAWL Pte. Ltd (LAWL)	791,110,491	2.60	–	–	–	–
July 29, 2009	Conversion of advances from MPHI to equity			5,000,000,000	0.01	–	–
October 2, 2009	Issuance in exchange for Meralco shares	4,464,202,634	3.20	–	–	–	–
September 19, 2009	Additional subscriptions of MPHI	4,770,000,000	3.00	–	–	–	–
December 21, 2009	Conversion of advances/loan from MPHI to equity	672,129,584	3.00	–	–	–	–
Various	Exercise of stock option plan	13,945,000	2.41*	–	–	–	–
As at December 31, 2009		20,128,154,522	1.00	5,000,000,000	0.01	–	–
Various	Exercise of stock option plan	32,310,000	2.12*	–	–	–	–
As at December 31, 2010		20,160,464,522	1.00	₱5,000,000,000	0.01	–	–
May 31, 2011	Conversion of advances/loan from MPHI to equity	2,030,769,230	3.25	–	–	–	–
July 13, 2011	Additional subscriptions of MPHI	2,400,000,000	3.60	–	–	–	–
Various	Exercise of stock option plan	2,060,000	2.73*	–	–	–	–
As at December 31, 2011		24,593,293,752	1.00	5,000,000,000	0.01	–	–
Various	Exercise of stock option plan	20,530,000	2.41*	–	–	–	–
As at December 31, 2012		24,613,823,752	1.00	5,000,000,000	0.01	–	–
January 22, 2013	Additional subscriptions of MPHI	1,330,000,000	4.60	–	–	–	–
Various	Exercise of stock option plan	82,150,000	2.73*	–	–	–	–
As at December 31, 2013		26,025,973,752	₱1.00	5,000,000,000	₱0.01	–	–
Various	Exercise of stock option plan	20,297,000	2.88*	–	–	–	–
As at December 31, 2014		26,046,270,752	₱1.00	5,000,000,000	₱0.01	–	–
February 9, 2015	Equity raising exercise	1,812,000,000	4.90	–	–	–	–
Various	Exercise of stock option plan	27,103,000	2.86*	–	–	–	–
As at December 31, 2015		27,885,373,752		5,000,000,000	₱0.01	–	–

**Weighted average exercise price.*

<u>Authorized Capital Stock</u>

On May 31, 2011, the Philippine SEC approved the increase in the authorized capital stock of the Company from ₱24.2 billion to ₱30.05 billion, divided into 28.5 billion common shares, 5.0 billion Class A Preferred Shares and 1.5 billion Class B Preferred Shares with a par value of ₱1.0 per share.

At the regular meeting of the Company's BOD held on May 12, 2015, the BOD approved the following:

- The reclassification of a total of 150 million Class B preferred shares with par value of ₱1 per share into 15 billion Class A preferred shares with par value of ₱0.01 per share, thereby decreasing the number of Class B preferred shares from 1.5 billion to 1.35 billion and correspondingly increasing the number of Class A preferred shares from 5 billion to 20 billion.

- The increase of the authorized capital stock from ₱30.05 billion up to ₱40.05 billion divided into 38.5 billion common shares with a par value of ₱1.00 per share and 20 billion Class A preferred shares with a par value of ₱0.01 per share and 1.35 billion Class B preferred shares with a par value of ₱1.00 per share.

During the annual general meeting of the stockholders of MPIC held on May 29, 2015, the foregoing matters were approved and ratified by the stockholders of MPIC.

The increase in authorized capital stock is for the purpose of enabling the Company to carry out equity fund raising in a timely manner for the Company's investments. The purpose of the reclassification is to broadly maintain the historical ratio of preference shares relative to each class and the common shares of the Company following recent capital raising exercises, as well as to reduce the number of outstanding preferred shares that are convertible to the common shares.

The Amended Articles of Incorporation of the Company reflecting the reclassification of portion of the Class B preferred shares to Class A preferred shares was approved by the Philippine SEC on October 26, 2015. As at March 1, 2016, the Company has not yet filed an application with the Philippine SEC for the increase in authorized capital stock from 28.5 billion common shares to 38.5 billion common shares.

Common Shares
The increase in common shares for the years ended 2015 and 2014 resulted from the following transactions:

- At various dates in 2015 and 2014, a total of 27.1 million and 20.3 million common shares, respectively, were issued in connection with the Company stock option plan (see Note 19).

- On February 9, 2015, MPIC, together with its principal shareholder MPHI, entered into a placement agreement with UBS AG, Hong Kong Branch, in respect of the offer and sale (the "Offer") by MPHI of 1,812,000,000 MPIC common shares at the Offer Price of ₱4.90 per share. Closing of the Offer was conditioned, among others, on MPHI subscribing (or agreeing to subscribe) to the same number of shares at the offer price or approximately ₱8.9 billion. The proceeds from the placement and subscription transaction were used by MPIC primarily for the reduction of Beacon Electrics debt, investment in previously announced projects and general corporate purposes. This transaction resulted to the reduction of MPHI's economic interest in MPIC from 55.8% in 2014 to 52.1% in 2015.

Class A Preferred Shares
Holders of Class A Preferred Shares are entitled to vote and shall receive preferential cash dividends at the rate of 10.0% per annum based on share's par value, upon declaration made at the sole option of the BOD. Dividends on these preferred shares, which shall be paid out of the Parent Company's unrestricted retained earnings, are cumulative whether or not in any period the amount is covered by available unrestricted retained earnings. No dividends or other distributions shall be paid or declared and set apart for payment in respect of the common shares, unless the full accumulated dividends on all Class A Preferred Shares shall have been paid or declared. Holders of Class A Preferred Shares do not have right to participate in any additional dividends declared for common shareholders. MPHI holds all of the Parent Company's Class A Preferred Shares.

There are no undeclared dividends as at December 31, 2015.

Class B Preferred Shares
The Parent Company may issue one or more series of Class B Preferred Shares, as the BOD may determine. The BOD shall also determine (a) cash dividend rate of such preferred share, which in no case to exceed 10.0% per annum; and (b) period and manner of conversion to common shares or redemption. Dividends on these preferred shares, which shall be paid out of the Parent Company's unrestricted retained earnings, are cumulative whether or not in any period the amount is covered by available unrestricted retained earnings. No dividends shall be paid or declared and set apart for payment in respect of the common shares or Class A Preferred Shares, unless the full accumulated dividends on all Class B Preferred Shares shall have been paid or declared. Holders

of Class B Preferred Shares do not have right to participate in any additional dividends declared for common shareholders.

There were no Class B Preferred Shares issued as at December 31, 2015 and 2014.

Record of Registration of Securities with the Philippine SEC

In accordance with SRC Rule 68, as Amended (2011), Annex 68-D, below is a summary of the Company's track record of registration of securities:

Issue	Offer price	Date of SEC approval	Number of registered shares securities	Number of holders of securities as at December 31, 2015	2014
Tender offer to shareholders of Metro Pacific Corporation (MPC) covering subscription warrants relating to common shares of MPIC with par value of ₱1.0 per share	Four (4) MPC shares for one (1) MPIC share plus three (3) warrants	October 25, 2006	Common shares of 56,878,766*	**1,328**	1,334
			Subscription warrants of 170,636,298	–	–

Covered the 2006 registered shares only

The shares relating to the transaction above were exchanged in the PSE on December 15, 2006, effectively listing MPIC via listing by way of introduction. Out of the total warrants available for conversion, 143,976,756 warrants were converted as at December 31, 2007 and 2,549,211 warrants expired on December 15, 2007.

Cash Dividends

Dividends paid and declared are as follows:

	2015	2014
	(In Thousands)	
Paid and declared:		
Final dividend in respect of the previous financial year approved and paid during the following year:		
Common shareholders (₱0.037 and ₱0.022 per share in 2015 and 2014, respectively)	**₱1,031,061**	₱572,640
Class A preferred shareholders	**1,250**	2,500
Interim dividend declared and paid during the interim period:		
Common shareholders (₱0.032 and ₱0.026 per share in 2015 and 2014, respectively)	**892,331**	677,095
Class A preferred shareholders	**2,500**	3,750
Special one-off dividend		
Common shareholders (₱0.04 per share in 2014)	**–**	1,041,807
	₱1,927,142	₱2,297,792
Final dividend*:		
Common shareholders (₱0.061 and ₱0.037 per share in 2015 and 2014, respectively)	**₱1,701,615**	₱1,030,886
Class A preferred shareholders	**2,500**	1,250
	₱1,704,115	₱1,032,136

**Final dividends on both common and Class A preferred shares were declared after reporting date and as such, are not recognized as a liability as at year-end.*

On March 1, 2016, the BOD approved the declaration of the cash dividends of ₱0.061 per common share in favor of the Parent Company's shareholders of record as of the record date at March 30, 2016 with payment date of April 21, 2016. On the same date, the BOD also approved the declaration of cash dividends amounting to a total of ₱2.5 million in favor of MPHI as the sole holder of Class A Preferred shares.

Equity Reserves

This account is used to recognize the value of equity-settled share-based payments provided to employees, including key management personnel, as part of their remuneration. As at December 31, 2015 and 2014, other reserve from ESOP amounted to ₱90.8 million and ₱115.7 million, respectively (see Note 19).

15. **Operating Expenses**

As at December 31, 2015, this account consists of:

	2015	2014
	(In Thousands)	
Personnel costs	**₱707,085**	₱850,344
Provision for corporate initiatives	**123,200**	71,590
Professional fees	**113,596**	153,972
Outside services	**60,007**	59,965
Public relation	**47,330**	44,002
Depreciation and amortization (see Note 9)	**41,123**	42,780
Transportation	**26,235**	32,928
Taxes and licenses	**23,577**	170,997
Provision for doubtful account (see Note 6)	**21,440**	–
Donations	**19,840**	10,200
Supplies	**9,848**	9,410
Rent	**7,971**	11,513
Communication, light and water	**7,696**	9,437
Insurance	**5,539**	9,370
Seminars and conferences	**5,464**	4,364
Directors' fee (see Note 12)	**2,718**	3,782
Membership dues	**1,995**	2,212
Repairs and maintenance	**1,893**	2,147
Representation	**1,104**	3,169
Others	**86,463**	22,376
	₱1,314,124	₱1,514,558

Personnel costs for the years ended December 31, 2015 and 2014 consist of:

	2015	2014
	(In Thousands)	
Salaries and wages	**₱324,209**	₱464,144
LTIP expense (see Note 16)	**247,928**	194,832
Fringe benefit tax	**61,885**	64,564
Retirement cost (see Note 16)	**27,147**	30,377
ESOP expense (see Note 19)	**16,720**	49,944
Others	**29,196**	46,483
	₱707,085	₱850,344

16. **Employee Benefits**

LTIP. Certain of the Company's employees are eligible for long-term employee benefits under a long-term incentive plan. The liability recognized on the LTIP comprises the present value of the defined benefit obligation and was determined using the projected unit credit method. Each LTIP performance cycle generally covers 3 years (e.g., 2013 to 2015 and 2010 to 2012) with payment intended to be made at the end of each cycle (without interim payments) and is contingent upon the achievement of an approved target core income of the Company by the end of the performance cycle. Each LTIP performance cycle is approved by the BOD of the Company.

The total cost of the LTIP for 2015 and 2014 amounted to ₱247.9 million and ₱194.8 million, respectively, presented under "Personnel costs" in the parent company statements of comprehensive income (see Note 15). The details of accrued LTIP are as follows, as at December 31:

	2015	2014
	(In Thousands)	
Beginning balance	**₱342,560**	₱147,728
Payout	**(27,534)**	–
Current provision	**231,029**	190,238
Interest	**16,717**	5,462
Actuarial loss (gain)	**182**	(868)
LTIP payable (see Notes 10 and 13)	**₱562,954**	₱342,560

On December 18, 2013, MPIC entered into an IMA with a Trustee Bank for the funding of the 2013-2015 LTIP program. As at December 31, 2015 and 2014, the LTIP fund balance amounted to ₱373.4 million and ₱344.9 million, respectively (see Notes 7 and 9).

Pension

Regulatory Environment. Republic Act (R.A.) 7641 requires a minimum benefit of equivalent to one-half month's salary for every year of service, with six months or more of service considered as one year. As the Company operates in the Philippines, it provides for a defined contribution retirement plan that considers the minimum benefit guarantee mandated under R.A. 7641.

Defined Contribution Retirement Plan. The retirement benefits of the Company's employees are provided through a defined contribution scheme as approved by the BOD on August 4, 2010. The retirement plan is a contributory plan wherein the Company undertakes to contribute a predetermined amount to the individual account of each employee and the employee gets whatever is standing to his credit upon separation from the Company. The retirement plan is managed and administered by the compensation committee and a trustee bank had been appointed to hold and invest the assets of the retirement fund in accordance with the provisions of the Plan.

The Company's contributions to the plan are made based on the employee's monthly basic salary which is at 10.0%. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 40.0% of his monthly salary. The Company then provides an additional contribution to the fund which aims to match the employee's contribution but only up to a maximum of 5.0% of the employee's monthly salary. Although the plan has a defined contribution format, the Company regularly monitors compliance with R.A. 7641, which provides for its qualified employees under a defined benefit minimum guarantee. The defined minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of R.A. 7641. Accordingly, the Company accounted for the retirement obligation under the higher of defined benefit obligation relating to the minimum guarantee and the obligation arising from the defined contribution plan. Disclosures required for a defined benefit retirement plan apply to the Company's retirement plan.

Each year, the Company's Compensation Committee reviews compliance with R.A. 7641 to evaluate the level of funding that would ensure that the expected future value of the defined benefit contribution plan asset is sufficient to cover the future expected value of retirement benefits prescribed by R.A. 7641.

Retirement Costs. The following tables summarize the components of the retirement costs under the defined contribution plan included in "Personnel costs" under "Operating expenses" account in the parent company statements of comprehensive income.

	2015	2014
	(In Thousands)	
Current service cost	**₱26,500**	₱30,356
Net interest cost	**647**	21
Total retirement cost (see Note 15)	**₱27,147**	₱30,377

Remeasurement effects recognized in OCI are as follows:

	2015	2014
	(In Thousands)	
Actuarial gain/(loss)	**₱27,358**	(₱7,561)
Gain/(Loss) on return on plan assets excluding amount included in net interest cost	**1,721**	(5,701)
	29,079	(13,262)
Less deferred tax	**3,229**	–
Actuarial gain/(loss), net of deferred tax	**₱25,850**	(₱13,262)

The funded status and amounts recognized in the statements of financial position for pension assets (accrued retirement cost) are as follows:

	2015	2014
	(In Thousands)	
Present value of obligation	**(₱140,020)**	(₱181,143)
Fair value of plan assets	**150,782**	167,258
Pension assets (Accrued retirement cost) (see Notes 9 and 13)	**₱10,762**	(₱13,885)

Movements in the present value of obligation are as follows:

	2015	2014
	(In Thousands)	
Present value of obligation at the beginning of the year	**₱181,143**	₱136,405
Current service cost	**26,500**	30,356
Interest cost	**8,442**	6,821
Benefits paid	**(48,707)**	–
Actuarial loss due to:		
Experience adjustments	**(12,243)**	(5,549)
Changes in financial assumptions	**(15,115)**	13,110
Present value of obligation at the end of the year	**₱140,020**	₱181,143

Movements in the fair value of plan assets are as follows:

	2015	2014
	(In Thousands)	
Fair value of plan assets at beginning of the year	**₱167,258**	₱135,993
Interest income included in net interest cost	**7,795**	6,800
Actual gain/(loss) return excluding amount included in net interest cost	**1,721**	(5,701)
Actual contributions	**22,715**	30,166
Benefits paid	**(48,707)**	–
Fair value of plan assets at end of the year	**₱150,782**	₱167,258
Actual return on plan assets	**₱9,516**	₱1,099

The allocations of the fair value of the trust fund as at December 31, 2014 and 2013 are as follows:

	2015	2014
	(In Thousands)	
Investments in:		
Corporate equities and Government securities	**₱97,088**	₱112,498
Unit trust funds	**23,989**	40,109
Cash in banks	**271**	11,022
Receivables and others	**29,434**	3,629
	₱150,782	₱167,258

As at December 31, 2015 and 2014, the trust fund consists of the following:

- Investments in government securities consist primarily of fixed-rate treasury notes and retail treasury bonds that bear interest ranging from 3.36% to 4.26% (2015) and 2.88% to 7.77% (2014) per annum and have maturities of up to 2023 (as at 2015) and 2032 (as at 2014).
- Unit trust funds include subscription with unit investment fund offered by local institutional investment banks.
- Cash and cash equivalents include regular savings and time deposits, which bear interest ranging from 2.50% to 5.50% per annum as at 2015 and 2014, respectively.
- Receivables include interest receivables, dividends receivables and other receivables.

While the Company does not perform any Asset-Liability Matching Study, the risks arising from the nature of the assets comprising the fund, are mitigated as follows:

- *Credit Risks.* Exposure to credit risk arises from financial assets comprising of cash and cash equivalents, investments and receivable. The credit risk results from the possible default of the issuer of the financial instrument, with a maximum exposure equivalent to the carrying amount of the instruments. The risk is minimized by ensuring that the exposure is limited only to the instruments as recommended by the fund managers.

- *Share Price Risk.* Exposure arises from holdings of shares of stock being traded at the PSE. The price risk emanates from the volatility of the stock market. Policy is to limit investment in shares of stock to blue chip issues or issues with good fair values.

- *Liquidity Risk.* This risk relates to the risk that the fund is unable to meet its payment obligations associated with its retirement liability when they fall due. To mitigate this risk, the Company contributes to the fund from time to time, based on the recommendations of the actuary with the objective of maintaining their respective fund in a sound condition.

The principal assumptions used to determine pension benefits as at December 31 are as follows:

	2015	2014
Discount rate	**5.13%**	4.66%
Salary increase rate	**7.50%**	10.00%

The discount rate represents the range of single weighted average discount rate used by the Company in arriving at the present value of defined benefit obligation, service and interest cost components of the retirement cost. Assumptions regarding future mortality rate are based on the 1994 Group Annuity Mortality Table developed by the U.S. Society of Actuaries, which provides separate rates for males and females.

The weighted average duration of the expected benefit payments is approximately 19.81 years and 21.33 years in 2015 and 2014, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments as at December 31:

	2015	2014
	(In Thousands)	
Less than one year	**₱64,025**	₱38,715
More than one year to five years	**25,331**	79,396
More than five years to 10 years	**10,870**	26,255
More than 10 years to 15 years	**29,025**	107,354
More than 15 years to 20 years	**137,757**	200,125
More than 20 years	**368,237**	682,539

Sensitivity Analysis. The calculation of the defined benefit obligation is sensitive to the assumptions set above. The following table summarizes how the present value of defined benefit obligation as at December 31 would have increased (decreased) as a result of change in the respective assumptions by:

	Increase (Decrease)	**2015**	2014
Discount rate	+1%	**(₱1,517)**	(₱7,142)
	-1%	**3,543**	9,490
Salary increase rate	+1%	**3,320**	8,666
	-1%	**(1,514)**	(6,794)

The Company currently expects to make approximately ₱11.3 million of cash contributions to its retirement fund in 2016.

17. Interest Income, Interest Expense and Other Income (Expenses)

The following are the sources of the Company's interest income and interest expense:

	2015	2014
	(In Thousands)	
Interest income:		
Cash and cash equivalents (see Note 5)	**₱99,418**	₱92,147
Notes receivable (see Note 21)	–	67,674
	₱99,418	₱159,821
Interest expense:		
Long-term debt (see Note 11)	**₱1,093,325**	₱492,095
Accretion on financial liabilities (see Notes 8, 10, 12 and 13)	**371,974**	181,234
Amortization of debt issue cost (see Note 11)	**5,230**	–
	₱1,470,529	₱673,329
Other income (expenses) - net:		
Management fees (see Note 12)	**₱2,255**	₱45,754
Foreign exchange loss – net	**(842)**	(11,065)
Gain on dilution of interest in a subsidiary (see Note 21)	–	4,200,892

(Forward)

	2015	2014
	(In Thousands)	
Gain on sale of investments (see Note 8)	₱–	₱944,993
Gain on sale of AFS [(a)]	–	222,322
Reversal of accruals (see Note 10)	–	26,966
Others	**655**	31,258
	₱2,068	₱5,461,120

a. Included gain on sale of shares in NE Pacific Shopping Center Corporation (NEPSCC) recognized in 2014. NEPSCC is engaged in leasing properties, particularly mall spaces. On February 28, 2014, MPIC sold to Cosco Capital Inc. all of its NEPSCC shares of stock representing 36.89% of NEPSCC's issued and outstanding capital stock.

18. Income Taxes

Current Tax

The provision for current income tax consists of:

	2015	2014
	(In Thousands)	
MCIT	**₱58**	₱1,756
Final tax on interest income	**20,502**	16,189
	₱20,560	₱17,945

Deferred Tax

a. The Company's deferred tax liabilities as at December 31 are as follows:

	2015	2014
	(In Thousands)	
Deferred tax liabilities:		
Gain on dilution of interest in a subsidiary (see Note 21)	**₱483,334**	₱483,334
Pension Assets	**3,229**	–
	₱486,563	₱483,334

The deferred tax liability relating to the gain on dilution of interest in a subsidiary pertains to the applicable tax on the expected gain on the future conversion of the Exchangeable Bond. While the gain on dilution of interest in subsidiary was recognized for accounting purposes for the year ended December 31, 2014, the taxable gain shall be recognized upon actual conversion of the Exchangeable Bond (see Note 21).

b. The details of the carryforward benefits of NOLCO, MCIT and other deductible temporary difference for which deferred tax assets were not recognized as at December 31, 2015 and 2014 since management believes that it is not probable that future taxable income will be available against which the deferred tax assets can be utilized as follows:

	2015	2014
	(In Thousands)	
Items recognized in profit and loss:		
NOLCO	**₱5,092,892**	₱4,210,980
Nondeductible expenses	**1,362,187**	848,081
MCIT	**6,040**	9,439
Items recognized in OCI:		
Actuarial loss	**–**	14,554

The carryforward benefits of excess MCIT amounting to ₱6.0 million and ₱9.4 million as at December 31, 2015 and 2014, respectively, can be claimed as tax credit against future income taxes payable as follows:

Year Incurred	Balance as at December 31, 2014	Additions	Expired	Balance as at December 31, 2015	Expiry Year
		(In Thousands)			
2015	₱–	₱58	₱–	₱58	2018
2014	2,272	–	–	2,272	2017
2013	3,710	–	–	3,710	2016
2012	3,457	–	(3,457)	–	2015
	₱9,439	₱58	(₱3,457)	₱6,040	

As at December 31, 2015 and 2014, unutilized NOLCO amounting to ₱5,092.9 million and ₱4,210.9 million, respectively, can be carried forward and claimed as deduction from regular taxable income as follows:

Year Incurred	Balance as at December 31, 2014	Additions	Expired	Balance as at December 31, 2015	Expiry Year
			(In Thousands)		
2015	₱–	₱1,836,880	₱–	₱1,836,880	2018
2014	1,330,373	–	–	1,330,373	2017
2013	1,925,639	–	–	1,925,639	2016
2012	954,968	–	(954,968)	–	2015
	₱4,210,980	₱1,836,880	(₱954,968)	₱5,092,892	

The reconciliation between the Company's statutory income tax and the effective income tax on net income for the years ended December 31, 2015 and 2014 follows:

	2015	2014
	(In Thousands)	
Statutory income tax at 30%	**₱1,375,876**	₱3,054,780
Adjustments for:		
Dividend income exempted from final tax	**(2,180,826)**	(2,024,864)
Net change in unrecognized deferred tax assets	**705,296**	503,071
Nondeductible expenses	**129,479**	105,119
Income already subjected to final tax	**(29,825)**	(1,638,106)
Final tax on interest income	**20,502**	16,189
MCIT	**58**	1,756
Effective income tax	**₱20,560**	₱17,945

19. **Share-based Payment**

On June 24, 2007, the shareholders of MPIC approved a share option scheme (the Plan) under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share option of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme became effective on June 14, 2007 and is valid for 10 years. An amended plan was approved by the stockholders on February 20, 2009.

As amended, the overall limit on the number of shares that may be issued upon exercise of all options to be granted and yet to be exercised under the Plan must not exceed 5.0% of the shares in issue from time to time.

The exercise price in relation to each option shall be determined by the Company's Compensation Committee, but shall not be lower than the highest of: (i) the closing price of the shares for one or more board lots of such shares on the PSE on the option offer date; (ii) the average closing price of the shares for one or more board lots of such shares on the PSE for the five business days on which dealings in the shares are made immediately preceding the option offer date; and (iii) the par value of the shares.

First Grant. The Company granted on December 9, 2008 (Tranche A) and March 10, 2009 (Tranche B) options in respect of 123,925,245 common shares to its senior management. Details of the said tranches follow: (a) Tranche A for 61,000,000 shares, 50.0% of which vested immediately on January 2, 2009 with an exercise price of ₱2.12 per share and (b) Tranche B for 62,925,245 shares, 50.0% of which vested on March 10, 2009 with an exercise price of ₱2.73 per share. The remaining 50.0% of each said tranche will vest on the first anniversary of the initial vesting date. The share options automatically vest on their respective vesting schedules. The grantees of the said option may exercise in whole or in part their respective options at any time after vesting but prior to the expiration of three years after all of the options shares for such tranche have vested. Both tranches of the First Grant expired on January 2, 2013 and March 10, 2013, respectively.

Second and Third Grants. In 2010, in consideration of Philippine SEC's policy to exclude the independent directors from ESOP grant and pending MPIC's consequent position paper filed with the Philippine SEC maintaining the validity of the grant to independent directors, the Compensation Committee modified the resolution it adopted on July 2, 2010. The Compensation Committee approved a modified plan excluding the independent directors from ESOP grant, without prejudice to reinstatement, as approved by Philippine SEC on September 20, 2010.

In the modified plan, MPIC allocated and set aside stock options relating to an additional 145,000,000 common shares, of which (a) a total of 94,300,000 common shares was granted to its new directors and senior management officers, as well as, members of the management committees of certain MPIC subsidiaries at the exercise price of ₱2.73 per common share on July 2, 2010 (the Second Grant) and (b) another 10,000,000 common shares was granted at the exercise price of ₱3.50 on December 21, 2010 to officers of Maynilad (the Third Grant A).

On March 8, 2011, 1,000,000 common shares was granted at the exercise price of ₱3.53 to senior management of Maynilad (the Third Grant B) and on April 14, 2011, another 3,000,000 common shares was granted at the exercise price of ₱3.66 to a MPIC officer (the Third Grant C).

Fourth Grant. On October 14, 2013, MPIC made an ESOP grant (the Fourth Grant) consisting of 112.0 million common shares, to its directors and senior management officers, as well as, members of the senior management of certain MPIC subsidiaries. The grant was approved by the Philippine SEC on March 4, 2014.

The weighted average remaining term to expiry for the share options outstanding as at December 31, 2015 and 2014 as follows:

	2015	2014
	(In Years)	
Second grant	–	0.5
Third grant	**1.1**	2.1
Fourth grant	**2.8**	3.8

For the years ended December 31, 2015 and 2014, the weighted average share price of MPIC's common share is ₱4.95 and ₱4.87 per share, respectively. The carrying value of ESOP recognized under "Equity Reserves" in the equity section of the parent company statement of financial position amounted to ₱90.8 million and ₱115.7 million as at December 31, 2015 and 2014, respectively (see Note 14).

Total ESOP charged to "Personnel costs" under "Operating expenses" and "Investments and advances" as at and for the years ended December 31, 2015 and 2014 are shown below:

		2015	
	Personnel costs (Note 15)	**Investments and advances** (Note 8)	**Equity Reserves** (Note 14)
		(In Thousands)	
Fourth grant – Tranche A and B	**₱16,720**	**₱4,345**	**₱21,065**

	2014		
	Personnel costs (Note 15)	Investments and advances (Note 8)	Equity Reserves (Note 14)
		(In Thousands)	
Third grant – Tranche B	₱–	₱35	₱35
Fourth grant – Tranche A	49,944	6,597	56,541
	₱49,944	₱6,632	₱56,576

The following table illustrates the number of, exercise prices of, and movements in share options in 2015 and 2014:

	First Grant				Second Grant			
	Tranche A		Tranche B		Tranche A		Tranche B	
	Number of shares	Exercise price	Number of shares	Exercise price	Number of shares	Exercise price	Number of shares	Exercise Price
Outstanding at December 31, 2013	–	–	–	–	28,100,000	₱2.73	17,980,000	₱2.73
Exercised during the year (see Note 14)	–	–	–	–	(7,100,000)	2.73	(10,920,000)	2.73
Expired during the year	–	–	–	–	–	–	–	–
Outstanding at December 31, 2014	–	–	–	–	21,000,000	₱2.73	7,060,000	₱2.73
Exercised during the year (see Note 14)	–	–	–	–	(21,000,000)	2.73	(1,825,000)	2.73
Expired during the year	–	–	–	–	–	–	(5,235,000)	–
Outstanding at December 31, 2015	–	–	–	–	–	–	–	–
Exercisable at:								
December 31, 2014	–	–	–	–	21,000,000	₱2.73	7,060,000	₱2.73
December 31, 2015	–	–	–	–	–	–	–	–

	Third Grant					
	Tranche A		Tranche B		Tranche C	
	Number of shares	Exercise price	Number of shares	Exercise price	Number of shares	Exercise price
Outstanding at December 31, 2013	3,500,000	₱3.50	350,000	₱3.53	1,705,000	₱3.66
Exercised during the year (see Note 14)	–	–	(350,000)	3.53	(927,000)	3.66
Expired during the year	–	–	–	–	–	
Outstanding at December 31, 2014	3,500,000	₱3.50	–	–	778,000	₱3.66
Exercised during the year (see Note 14)	(3,500,000)	3.50	–	–	(778,000)	3.66
Expired during the period	–	–	–	–	–	–
Outstanding at December 31, 2015	–	–	–	–	–	–
Exercisable at:						
December 31, 2014	3,500,000	₱3.50	–	₱–	778,000	₱3.66
December 31, 2015	–	–	–	–	–	–

	Fourth Grant			
	Tranche A		Tranche B	
	Number of shares	Exercise Price	Number of shares	Exercise Price
Outstanding at December 31, 2013	56,000,000	₱4.60	56,000,000	₱4.60
Exercised during the year (see Note 14)	(1,000,000)	4.60	–	–
Expired during the year	–	–	–	–
Outstanding at December 31, 2014	55,000,000	₱4.60	56,000,000	₱4.60
Exercised during the year (see Note 14)	–	–	–	–
Outstanding at December 31, 2015	**55,000,000**	**₱4.60**	56,000,000	**₱4.60**
Exercisable at:				
December 31, 2014	55,000,000	₱4.60	₱–	₱–
December 31, 2015	**55,000,000**	**4.60**	**56,000,000**	**4.60**

The fair value of the options granted is estimated at the date of grant using Black-Scholes-Merton formula, taking into account the terms and conditions at the time the options were granted. The following tables list the inputs to the model used for the ESOP:

	First Grant				Second Grant				
	Tranche A		Tranche B		Tranche A		Tranche B		
	50.0% vesting on January 2, 2009	50.0% vesting on January 2, 2010	50.0% vesting on March 10, 2009	50.0% vesting on March 10, 2010	50.0% vesting on January 1, 2011	50.0% vesting on January 1, 2012	30.0% vesting on July 2, 2011	35.0% vesting on July 2, 2012	35.0% vesting on July 2, 2013
Spot Price	₱2.10	₱2.10	₱2.70	₱2.70	₱2.65	₱2.65	₱2.65	₱2.65	₱2.65
Exercise price	₱2.12	₱2.12	₱2.73	₱2.73	₱2.73	₱2.73	₱2.73	₱2.73	₱2.73
Risk-free rate	5.92%	6.60%	4.24%	4.82%	4.16%	4.92%	4.61%	5.21%	5.67%
Expected volatility*	94.07%	58.10%	61.25%	66.43%	48.33%	69.83%	69.27%	67.52%	76.60%
Term to vesting in days	24	389	61	365	183	548	365	731	1,096
Call price	₱0.20	₱0.55	₱0.27	₱0.75	₱0.35	₱0.91	₱0.73	₱1.03	₱1.39

	Third Grant								Fourth Grant	
	Tranche A			Tranche B			Tranche C		Tranche A	Tranche B
	30.0% vesting on August 1, 2011	35.0% vesting on August 1, 2012	35.0% vesting on August 1, 2013	30.0% vesting on March 8, 2012	35.0% vesting on March 8, 2013	35.0% vesting on March 8, 2014	50.0% vesting on April 14, 2012	50.0% vesting on April 14, 2013	50.0% vesting on October 14, 2014	50.0% vesting on October 14, 2015
Spot Price	₱3.47	₱3.47	₱3.47	₱3.53	₱3.53	₱3.53	₱3.66	₱3.66	₱4.59	₱4.59
Exercise price	₱3.50	₱3.50	₱3.50	₱3.53	₱3.53	₱3.53	₱3.66	₱3.66	₱4.60	₱4.60
Risk-free rate	1.62%	2.83%	3.73%	2.56%	4.38%	5.01%	2.05%	3.83%	0.66%	2.40%
Expected volatility*	46.62%	68.23%	72.82%	39.32%	61.39%	64.42%	39.13%	60.76%	35.23%	33.07%
Term to vesting in days	223	589	954	366	731	1,096	366	731	365	730
Call price	₱0.46	₱1.20	₱1.62	₱0.58	₱1.28	₱1.62	₱0.60	₱1.30	₱0.63	₱0.89

** The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.*

20. Earnings Per Share

The calculation of earnings per share for the years ended December 31 follows:

		2015	2014
		(In Thousands, Except for Per Share Amounts)	
Net income		**₱4,565,692**	₱10,164,655
Effect of dividends on preference equity holders of the Parent Company		**(5,000)**	(5,000)
	(a)	**4,560,692**	10,159,655
Outstanding common shares at the beginning of the year		**26,046,271**	26,025,974
Effect of issuance of common shares during the year		**1,630,318**	11,882
Weighted average number of common shares for basic earnings per share	(b)	**27,676,589**	26,037,856
Effects of potential dilution from ESOP		**19,270**	24,338
Weighted average number of common shares adjusted for the effects of potential dilution	(c)	**27,695,859**	26,062,194
Basic earnings per share	(a/b)	**₱0.165**	₱0.390
Diluted earnings per share	(a/c)	**₱0.165**	₱0.390

The weighted average number of issued and outstanding shares is derived by multiplying the number of shares outstanding at the beginning of the year, adjusted by the number of shares issued during the year, with a time-weighting factor. The time-weighting factor is the number of days that the common shares are outstanding as a proportion to the total number of days in the year.

In 2015 and 2014, the ESOP is considered in the computation of the diluted earnings and certain grants were considered dilutive.

21. **Significant Contracts, Agreements and Commitments**

Landco's Restructuring. Landco is primarily engaged in all aspects of real estate business and was previously a separate reportable operating segment. Following a strategic review of the Company's businesses in 2008, and its focus on infrastructure, MPIC decided to divest its 51.0% controlling interest in Landco. MPIC disposed of portion of its remaining interest in Landco until in 2011, the remaining interest in Landco is at 19%.

On December 22, 2014, MPIC entered into an agreement with Landco and its controlling shareholder, ABHC to restructure and clean up the financial position of Landco in preparation for an eventual sale to third parties. The agreement contemplates the implementation of the following transactions in the near future: (i) the conversion of MPIC's preferred shares in Landco to common shares, (ii) additional subscription to non-voting preferred shares by way of cash infusion and conversion of MPIC's receivables from Landco into equity, (iii) offsetting of certain inter-company accounts, and (iv) spin off of non-performing assets of Landco to a separate company. The cash infusion will be to the extent of ₱85.0 million and conversion of receivables into equity to the extent of ₱79.8 million. The foregoing steps will be implemented in different phases in the near future with the conversion of the preferred shares to common shares in Landco and assumption of ABHC's payable to Landco of ₱155.3 million completed in 2014.

After the aforementioned transactions, MPIC shall be entitled to 66% of the purchase price of Landco's outstanding common stock in the event of sale of Landco's outstanding capital stock to a third party.

As a result of the planned divestment of the interests in Landco, the carrying values of the notes receivable from Landco and ABHC and the investment in Landco's common shares were reclassified to "Assets held for sale". The carrying amount of all interests in Landco comprising of ₱755.5 million of common shares or 38.1% interest (which percentage of ownership would qualify as an investment in associate) as at December 31, 2015 and 2014 and ₱724.3 million and ₱614.3 million as at December 31, 2015 and 2014, respectively, comprising of loans and interest receivable from Landco and ABHC is expected to be recovered principally through a sale transaction and the sale is considered highly probable. As the total carrying amount of all interests in Landco is less than the fair value less costs to dispose, no impairment loss was recognized for the period ended December 31, 2015 and 2014. While the disposal did not happen in 2015 due to delays outside of the Company's control, the Company is nonetheless committed to the plan to sell its interest in Landco.

Exchangeable Bond issued to GIC. On July 2, 2014, GIC, through Arran, invested ₱3.7 billion for a 14.4% stake in MPHHI through subscription of primary shares and invested ₱6.5 billion in Exchangeable Bond issued by MPIC, which can be exchanged into a 158,137,590 shares of ₱10.0 par value Class A common shares of the MPHHI, in the future, subject to certain conditions. The Exchangeable Bond is subject to a fixed interest rate applicable per annum which, for the first year shall be equivalent to 0.27% and shall be repriced annually thereafter at a rate to be mutually agreed by MPIC and GIC. Final maturity date of the Exchangeable Bond is on December 31, 2019.

This transaction was accounted for in the parent company financial statements as an equity transaction which resulted to a *gain on dilution of interest in a subsidiary* representing the difference between (a) the GIC's investment in the Exchangeable Bond amounting to ₱5.9 billion (net of deferred tax liability of ₱483.3 million and present value of the interest payable of ₱149.2 million) and (b) carrying value of the MPHHI Class A common shares to be exchanged in the future amounting to ₱1.7 billion. While the *gain on dilution of interest in a subsidiary* was recognized for accounting purposes for the year ended December 31, 2014, the taxable gain shall be recognized upon actual conversion of the Exchangeable Bond (see Note 17).

Termination of Investment Agreement. In 2014, MPIC and GGIE, a Singapore-based company, partnered to develop a waste-to-energy facility in Tagum, Davao del Norte. However, in 2015, MPIC terminated the investment agreement for non-completion of conditions precedent by the stipulated long stop date. Notwithstanding the termination of the agreement with GGIE, MPIC intends to continue pursuing waste-to-energy projects.

Prequalification for the Regional Airports Project. On August 17, 2015, Philippine Airports Consortium submitted its pre-qualification documents for the Regional Airports Project. The Regional Airports Project consist of the operations and maintenance of the Bacolod-Silay, Iloilo, Davao, Laguindingan and New Bohol-Panglao (Tagbilaran) airports. Expected bid submission is 2016.

The Philippine Airports Consortium consists of MPIC with a 60% interest and Philippines Airports Management Company (PAMC) with a 40% interest, PAMC is a joint venture between Aéroports de Paris Management SA (ADPM), a subsidiary of Aéroports de Paris, and TAV Havalimanlari Holdings A.S (TAV). MPIC, ADPM and TAV have entered into an exclusive Philippine airport consortium agreement to govern their relationship with one another in participating in the bidding for the PPP Regional Airports Project.

22. Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist mainly of borrowings from a related party, and third party lenders and creditors, proceeds of which were used for the acquisition of investments and in financing operations. The Company has other financial assets and financial liabilities such as cash and cash equivalents, receivables, accrued expenses and other current liabilities, as well as other related party transactions that arise directly from the Company's operations. The Company also holds AFS financial assets.

The main risks arising from the Company's financial instruments are liquidity risk and credit risk. The Company's exposures to foreign currency risk and floating interest rate risk on its financial instruments are not significant. The BOD reviews and approves policies of managing each of these risks and they are summarized below.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and facilities as well as advances from related parties.

The Company monitors its cash position using a cash forecasting system. All expected collections, check disbursements and other cash payments are determined on a daily basis to arrive at the projected cash position to cover its obligations and ensuring that obligations are met as they fall due. The Company monitors its cash flow position particularly the collections from receivables, receipts of dividends and the funding requirements of operations to ensure an adequate balance of inflows and outflows. The Company also has an online facility with its depository banks wherein bank balances are monitored daily to determine the actual Company cash balances at any time. The Company has cash and cash equivalents amounting to ₱3,462.9 million and ₱4,088.1 million as at December 31, 2015 and 2014, respectively, which are allocated to meet the Company's short-term liquidity needs.

The Company's liquidity and funding management process include the following:

- Managing the concentration and maturity profile of debt maturities;
- Maintaining debt financing plans; and
- Monitoring statement of financial position liquidity ratios against internal, external and regulatory requirements.

Liquidity risk concentrations arise when a number of economic features would cause the Company's ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. As at December 31, 2015, the Company has negative working capital as a result of liability to Beacon Electric in relation to the acquisition of Meralco shares (see Notes 8 and 12). Management sees this circumstance as temporary partly due to timing of inflows and outflows of cash flows. Such situation is warranted and properly planned and addressed by the Company as payable to Beacon Electric is to be settled partially through offsetting against the dividends declared by Beacon Electric and the remaining portion to be sourced from internal cash flows coming from expected dividends to be declared by the Company's subsidiaries.

As discussed in Note 11, the Company also has access to the following undrawn facilities at the end of December 31, 2015.

Description	Undrawn Amount	Available Until
	(In Thousands)	
₱25.0 Billion Facility	₱1,500,000	March 14, 2016
₱16.5 Billion Facility	₱10,000,000	July 31, 2016
	₱6,500,000	December 1, 2016

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2015 and 2014 based on undiscounted contractual payments and include forecast interest payment for long-term debt.

	2015						
	On Demand	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	More than 4 Years	Total
				(In Thousands)			
Financial Assets							
Cash and cash equivalents*	₱11,498	₱3,451,302	₱–	₱–	₱–	₱–	₱3,462,800
Receivables:							
Dividend receivable	–	862,090	–	–	–	–	862,090
Advances to employees	–	7,410	–	–	–	–	7,410
Interest receivable	–	3,270	–	–	–	–	3,270
Accounts receivable	–	1,749	–	–	–	–	1,749
Other receivables	–	1,363	–	–	–	–	1,363
Due from related parties	–	16,588	–	–	–	–	16,588
AFS financial assets**	–	–	–	–	–	11,611,222	11,611,222
Total	11,498	4,343,772	–	–	–	11,611,222	15,966,492
Financial Liabilities							
Accrued expenses and other current liabilities:							
Accrued interest payable	193,207	–	–	–	–	–	193,207
Accrued expenses	538,012	–	–	–	–	–	538,012
Accounts payable	28,297	–	–	–	–	–	28,297
Other payable***	1,339	–	–	–	–	–	1,339
Due to related parties	359,217	8,775,813	–	–	–	–	9,135,030
Long-term debt:							
Principal	–	392,300	299,800	753,400	1,369,000	26,978,500	29,793,000
Interest	–	1,797,021	1,772,600	1,754,517	1,684,778	5,788,120	12,797,036
Financial liability	–	27,487	35,702	44,577	55,219	–	162,985
Other noncurrent liabilities	–	3,279,234	–	–	–	–	3,279,234
	1,120,072	14,271,855	2,108,102	2,552,494	3,108,997	32,766,620	55,928,140
Liquidity gap	(₱1,108,574)	(₱9,928,083)	(₱2,108,102)	(₱2,552,494)	(₱3,108,997)	(₱21,155,398)	(₱39,961,648)

** Excluding cash on hand amounting to ₱0.06 million as at December 31, 2015.*
*** Including investment in preferred shares of Beacon amounting to ₱11,573.2 million as at December 31, 2015.*
**** Excluding statutory payables.*

	2014						
	On Demand	Within 1 Year	1–2 Years	2–3 Years	3–4 Years	More than 4 Years	Total
				(In Thousands)			
Financial Assets							
Cash and cash equivalents*	₱17,200	₱4,070,843	₱–	₱–	₱–	₱–	₱4,088,043
Receivables:							
Dividend receivable	–	50,000	–	–	–	–	50,000
Advances to employees	–	6,834	–	–	–	–	6,834
Interest receivable	–	6,855	–	–	–	–	6,855
Accounts receivable	–	1,161	–	–	–	–	1,161
Other receivables	–	32,955	–	–	–	–	32,955
Due from related parties	–	45,336	–	–	–	–	45,336
AFS financial assets**	–	–	–	–	–	11,610,222	11,610,222
Total	17,200	4,213,984	–	–	–	11,610,222	15,841,406
Financial Liabilities							
Accrued expenses and other current liabilities:							
Accrued interest payable	188,045	–	–	–	–	–	188,045
Accrued expenses	370,960	–	–	–	–	–	370,960
Accounts payable	69,272	–	–	–	–	–	69,272
Other payable***	1,429	–	–	–	–	–	1,429
Due to related parties	358,717	7,243,410	–	–	–	–	7,602,127
Long-term debt:	–	548,937	545,319	539,082	987,755	6,792,120	9,413,213
Principal		64,800	64,800	64,800	518,400	5,670,000	6,382,800
Interest		484,137	480,519	474,282	469,355	1,122,120	3,030,413
Financial liability	–	17,793	27,487	35,702	44,577	55,219	180,778
Other noncurrent liabilities	–	203,235	–	–	–	–	203,235
	988,423	8,562,312	1,118,125	1,113,866	2,020,087	13,639,459	27,442,272
Liquidity gap	(₱971,223)	(₱4,348,328)	(₱1,118,125)	(₱1,113,866)	(₱2,020,087)	(₱2,029,237)	(₱11,600,866)

** Excluding cash on hand amounting to ₱0.06 million as at December 31, 2014.*
*** Including investment in preferred shares of Beacon amounting to ₱11,573.2 million as at December 31, 2014.*
**** Excluding statutory payables.*

Credit Risk

Credit risk is the risk that the Company will incur a loss arising from counterparties that fail to discharge their contracted obligations. The Company manages and controls credit risk by setting limits on the amount of risk that the Company is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Company's exposure to credit risk is equal to the carrying amount of its financial assets, except for those presented in the following table. The Company has no concentration of credit risk.

The table below shows the maximum exposure to credit risk of the Company without considering the effects of collaterals, credit enhancements and other credit risk mitigation techniques and the net maximum exposure to credit risk of the Company after considering the effects of collaterals, credit enhancements and other credit risk mitigation techniques.

	2015		
	Gross Maximum Exposure (a)	**Fair Value and Financial Effect of Collateral or Credit Enhancement (b)**	**Net Exposure (c) = (a) – (b)**
		(In Thousands)	
Cash and cash equivalents*	**₱3,462,800**	**₱3,672**	**₱3,459,128**
Receivables:			
Dividends receivable	**862,090**	**–**	**862,090**
Advances to employees	**7,410**	**–**	**7,410**
Interest receivables	**3,270**	**–**	**3,270**
Accounts receivable	**1,749**	**–**	**1,749**
Other receivables	**1,363**	**–**	**1,363**
Due from related parties	**16,588**	**114**	**16,474**
	₱4,355,270	**₱3,786**	**₱4,351,484**

** Excludes cash on hand amounting to ₱0.06 million as at December 31, 2015.*

	2014		
	Gross Maximum Exposure (a)	Fair Value and Financial Effect of Collateral or Credit Enhancement (b)	Net Exposure (c) = (a) – (b)
		(In Thousands)	
Cash and cash equivalents*	₱4,088,043	₱2,343	₱4,085,700
Receivables:			
Dividends receivable	50,000	–	50,000
Advances to employees	6,834	–	6,834
Interest receivables	6,855	–	6,855
Accounts receivable	1,161	–	1,161
Other receivables	32,955	–	32,955
Due from related parties	45,336	4,542	40,794
	₱4,231,184	₱6,885	₱4,224,299

** Excludes cash on hand amounting to ₱0.06 million as at December 31, 2014.*

The fair value of credit enhancement relating to cash and cash equivalents pertains to insured deposits in banks as prescribed by Philippine Deposit Insurance Corporation. For due from related parties, credit enhancement represents payable to the same counterparty that the Company is not paying until collection of the receivables.

As at December 31, the aging analysis of financial assets, including those past due but not impaired, is as follows:

	2015					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		<30 Days	30–120 Days	>120 Days		
				(In Thousands)		
Loans and receivables:						
Cash and cash equivalents[a]	**₱3,462,800**	**₱–**	**₱–**	**₱–**	**₱–**	**₱3,462,800**
Receivables:						
Dividend receivable	**862,090**	–	–	–	–	**862,090**
Advances to employees	**7,410**	–	–	–	–	**7,410**
Interest receivable	**3,270**	–	–	–	–	**3,270**
Accounts receivable	**1,749**	–	–	–	–	**1,749**
Other receivables	**1,363**	–	–	–	**21,440**	**22,803**
Due from related parties	**16,588**	–	–	–	–	**16,588**
Cash deposits[b]	**558,090**	–	–	–	–	**558,090**
	₱4,913,360	**₱–**	**₱–**	**₱–**	**₱21,440**	**₱4,934,800**

[a] *Excludes cash on hand amounting to ₱0.06 million as at December 31, 2015.*
[b] *Included under "Other current assets" account in the parent company statement of financial position (see Note 7).*

	2014					
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		<30 Days	30–120 Days	>120 Days		
				(In Thousands)		
Loans and receivables:						
Cash and cash equivalents[a]	₱4,088,043	₱–	₱–	₱–	₱–	₱4,088,043
Receivables:						
Dividend receivable	50,000	–	–	–	–	50,000
Advances to employees	6,834	–	–	–	–	6,834
Interest receivable	6,855	–	–	–	–	6,855
Accounts receivable	1,161	–	–	–	–	1,161
Other receivables	32,955	–	–	–	–	32,955
Due from related parties	45,336	–	–	–	–	45,336
Cash deposits[b]	186,364	–	–	–	–	186,364
	₱4,417,548	₱–	₱–	₱–	₱–	₱4,417,548

[a] *Excludes cash on hand amounting to ₱0.06 million as at December 31, 2014.*
[b] *Included under "Other current assets" account in the parent company statement of financial position.*

The Company also assesses each financial assets based on its credit quality.

Cash and cash equivalents and sinking fund are classified as high grade since these are placed with reputable local and international banks, which meet the standards set by the Company's Board.

For the Company's other financial assets, high grade relates to those financial assets which are consistently collected before the maturity date. In addition, these are financial assets from counterparties that also have corresponding collectibles from the Company for certain contracted services. The first layer of security comes from the Company's ability to offset amounts receivable from those counterparties against payments due to them. Standard grade include financial assets that are collected on their due dates even without an effort from the Company to follow them up. Sub-standard grade relates to financial assets that are collected on their due dates if the Company made a persistent effort to collect them. Past due receivables and advances include those that are past due but are still collectible.

The table below shows the credit quality per class of financial assets of the Company that were neither past due nor impaired.

	2015			
	High Grade	**Standard Grade**	**Sub-standard Grade**	**Total**
		(In Thousands)		
Loans and receivables:				
Cash and cash equivalents[(a)]	**₱3,462,800**	**₱–**	**₱–**	**₱3,462,800**
Receivables:				
Dividend receivable	**862,090**	**–**	**–**	**862,090**
Advances to employees	**7,410**	**–**	**–**	**7,410**
Interest receivable	**3,270**	**–**	**–**	**3,270**
Accounts receivable	**1,749**	**–**	**–**	**1,749**
Other receivables	**1,363**	**–**	**–**	**1,363**
Due from related parties	**16,588**	**–**	**–**	**16,588**
Cash deposits[(b)]	**558,090**	**–**	**–**	**558,090**
	₱4,913,360	**₱–**	**₱–**	**₱4,913,360**

[(a)] Excluding cash on hand amounting to ₱0.06 million as at December 31, 2015.
[(b)] Included under "Other current assets" account in the parent company statement of financial position (see Note 7).

	2014			
	High Grade	Standard Grade	Sub-standard Grade	Total
		(In Thousands)		
Loans and receivables:				
Cash and cash equivalents[(a)]	₱4,088,043	₱–	₱–	₱4,088,043
Receivables:				
Dividend receivable	50,000	–	–	50,000
Advances to employees	6,834	–	–	6,834
Interest receivable	6,855	–	–	6,855
Accounts receivable	1,161	–	–	1,161
Other receivables	32,955	–	–	32,955
Due from related parties	45,336	–	–	45,336
Cash deposits[(b)]	186,364	–	–	186,364
	₱4,417,548	₱–	₱–	₱4,417,548

[(a)] Excluding cash on hand amounting to ₱0.06 million as at December 31, 2014.
[(b)] Included under "Other current assets" account in the parent company statement of financial position.

Capital Management

The primary objective of the Company's capital management policies is to ensure that the Company maintains a strong financial position and healthy capital ratios to support its business and maximize shareholder value.

The Company ensures that it is compliant with all debt covenants. As at December 31, 2015, the Company has *₱6.48 Billion Fixed Rate Note* and *₱25.0 Billion Facility,* both debts contain, among others, covenants regarding maintenance of reserve account and achieving certain financial ratios such as debt-to-equity ratio not to exceed 70:30, and its debt service coverage ratio (DSCR) is at a minimum of 1.3x and 1.1x, respectively. To be able to declare dividends, the Company shall achieve a DSCR of 1.5x and 1.3x, respectively. The Company is in compliance with the required financial ratios and other loan covenants as at December 31, 2015 and 2014 (see Note 11).

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from shareholders, return capital to shareholders, issue new shares or new debt or redeem existing debt. No changes were made in the objectives, policies or processes during the years ended December 31, 2015 and 2014.

The Company monitors capital on the basis of debt-to-equity ratio. Debt-to-equity ratio is calculated as long-term debt over equity.

During 2015, the Company's strategy, which was unchanged from 2014, was to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios on December 31, 2015 and 2014 are as follows:

	2015	2014
	(In Thousands)	
Long-term debt	**₱29,678,358**	₱6,382,800
Equity	**97,308,181**	85,835,470
Debt-to-equity ratio	**1:3.3**	1:13.4

23. **Financial Assets and Financial Liabilities**

Categories of Financial Instruments

Categories of the Company's financial assets and financial liabilities as at December 31, 2015 and 2014 are as follows:

	2015				
	Financial Assets			**Financial Liabilities**	
	FVPL	**Loans and Receivables**	**AFS Financial Assets**	**Other Financial Liabilities**	**Total**
			(In Thousands)		
ASSETS					
Cash and cash equivalents[(a)]	**₱–**	**₱3,462,800**	**₱–**	**₱–**	**₱3,462,800**
Receivables:					
Dividends receivable	**–**	**862,090**	**–**	**–**	**862,090**
Advances to employees	**–**	**7,410**	**–**	**–**	**7,410**
Interest receivables	**–**	**3,270**	**–**	**–**	**3,270**
Accounts receivable	**–**	**1,749**	**–**	**–**	**1,749**
Other receivables	**–**	**1,363**	**–**	**–**	**1,363**
Due from related parties	**–**	**16,589**	**–**	**–**	**16,589**
Other current assets	**–**	**559,530**	**–**	**–**	**559,530**
Other noncurrent assets [(b)]	**–**	**1,230,882**	**11,611,222**	**–**	**12,842,104**
	₱–	**₱6,145,683**	**₱11,611,222**	**₱–**	**₱17,756,905**
LIABILITIES					
Accrued expenses and other current liabilities[(c)]	**₱–**	**₱–**	**₱–**	**₱763,579**	**₱763,579**
Due to related parties	**–**	**–**	**–**	**8,809,540**	**8,809,540**
Long-term debt	**–**	**–**	**–**	**29,678,357**	**29,678,357**
Other noncurrent liabilities				**3,429,506**	**3,429,506**
	₱–	**₱–**	**₱–**	**₱42,680,982**	**₱42,680,982**

[(a)] Excludes cash on hand to ₱0.06 million as at December 31, 2015.
[(b)] Includes advances for equity to Beacon Electric and investment in preferred shares of Beacon Electric classified as AFS financial assets.
[(c)] Excludes statutory payables.

	2014				
	Financial Assets			Financial Liabilities	
	FVPL	Loans and Receivables	AFS Financial Assets	Other Financial Liabilities	Total
			(In Thousands)		
ASSETS					
Cash and cash equivalents[(a)]	₱–	₱4,088,043	₱–	₱–	₱4,088,043
Receivables:					
Dividends receivable	–	50,000	–	–	50,000
Advances to employees	–	6,834	–	–	6,834
Interest receivables	–	6,855	–	–	6,855
Accounts receivable	–	1,161	–	–	1,161
Other receivables	–	32,955	–	–	32,955
Due from related parties	–	45,336	–	–	45,336
Other current assets	–	188,332	–	–	188,332
Other noncurrent assets [(b)]	–	1,575,737	11,610,222	–	13,185,959
	₱–	₱5,995,253	₱11,610,222	₱–	₱17,605,475
LIABILITIES					
Accrued expenses and other current liabilities[(c)]	₱–	₱–	₱–	₱640,573	₱640,573
Due to related parties	–	–	–	7,546,588	7,546,588
Long-term debt	–	–	–	6,382,800	6,382,000
Other noncurrent liabilities	–	–	–	345,792	345,792
	₱–	₱–	₱–	₱14,915,753	₱14,915,753

[(a)] *Excludes cash on hand to ₱0.06 million as at December 31, 2014.*
[(b)] *Includes advances for equity to Beacon Electric and investment in preferred shares of Beacon Electric classified as AFS financial assets.*
[(c)] *Excludes statutory payables.*

Fair Values

The comparison of the carrying values and fair values of all of the Company's financial instruments (those with carrying amounts that are not equal to their fair values) as at December 31, 2015 and 2014 are as follows:

	2015		2014	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(In Thousands)		
Financial Liability				
Long-term debt	**₱29,678,358**	**₱30,472,940**	₱6,382,800	₱7,214,999

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate such value:

Cash and Cash Equivalents, Due from Related Parties, Cash Deposits, and Accrued Expenses and Other Current Liabilities

Due to the short-term nature of transactions, the fair value of cash and cash equivalents, due from related parties, cash deposits, and accrued expenses and other current liabilities approximate the carrying amounts at the end of the reporting period.

Receivables

Estimated fair value is based on the present value of future cash flows discounted using the prevailing Philippine Dealing System Treasury Reference Rate PM (PDST-R2) rate (beginning 2015) and Philippine Dealing System Treasury Fixing (PDST-F rate) (prior 2015) that are specific to the tenor of the instruments' cash flows at the end of each reporting period.

Long-term Debt
Estimated fair value is based on the discounted present value of future cash flows using the prevailing interest rates ranging from 2.67% to 4.10% and 2.55% to 4.37% in 2015 and 2014, respectively.

AFS Financial Assets
Unquoted shares classified as AFS financial assets are carried at cost as there are no reliable basis for determining fair value, while quoted shares classified as AFS financial assets are carried at fair value based on their quoted market prices.

Fair Value Hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

For financial instruments that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Below are the set of financial instruments carried at fair value and their classification in the fair value hierarchy as at December 31:

	2015			
	(In Thousands)			
	Total	**Level 1**	**Level 2**	**Level 3**
Financial Asset -				
AFS financial assets	**₱13,000**	**₱13,000**	**₱–**	**₱–**

	2014			
	(In Thousands)			
	Total	Level 1	Level 2	Level 3
Financial Asset -				
AFS financial assets	₱12,000	₱12,000	₱–	₱–

During 2015 and 2014, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

24. Supplemental Cash Flow Information

	2015	2014
	(In Thousands)	
Noncash investing and financing activities:		
Subscription payable for the additional investment in MPTC and MPLC (see Notes 8 and 9)	**₱3,235,999**	₱–
Offsetting of share on common share dividends from Beacon against the investment for the acquisition of Meralco shares (see Note 8)	**2,138,596**	4,450,000
Additional investment in MPTC, MPHHI and Maynilad arising from ESOP (see Notes 8 and 19)	**4,345**	6,632
Subscription payable for the investment in AFPI	–	203,325

25. Events after the Reporting Period

Aside from MPIC's dividend declaration on March 1, 2016 (see Note 14), events occurring after the reporting period includes:

Meralco's Dividend Declaration. On February 26, 2016, the BOD of Meralco approved the declaration of the final cash dividend of ₱9.92 per common share in favor of the common stockholders of record as at March 23, 2016 with payment date of April 15, 2016. The final cash dividends comprises of regular and special dividend of ₱3.22 and ₱6.70 per common share, respectively.

MPTC's Dividend Declaration. On February 18, 2016, the BOD of MPTC approved the declaration of a cash dividends in favor of its common stockholders in the aggregate amount of ₱637.0 million or up to ₱11.24 per common share of record as of March 4, 2016 with payment date on or prior to April 1, 2016.

Maynilad's Dividend Declaration. On January 25, 2016, the BOD of Maynilad approved the declaration of cash dividends in favor of its common stockholders in the total amount ₱2,000.0 million or up to ₱440.17 per common share of record as of February 9, 2016 with payment date on March 4, 2016.

26. Future Changes in Accounting Policies

The standards, interpretations amendments and improvements to the standards that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these, if applicable, when they become effective. Unless otherwise specified, these will not have an impact on the Company's financial statements.

Effective January 1, 2016

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

- Amendments to PAS 16, *Property, Plant and Equipment* and PAS 41, *Agriculture* - Bearer Plants — The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under these amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). These amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance,* will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- Amendments to PAS 27, *Separate Financial Statements* – Equity Method in Separate Financial Statements — The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply this method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted.

- PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception — These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurements applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Company since none of the entities within the Company is an investment entity nor does the Company have investment entity associates or joint venture.

- PFRS 11, *Joint Arrangements* – Accounting for Acquisitions of Interest in Joint Operations — The amendments to PFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The

amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. The amendments will not have any impact on the Company's financial statements.

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

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments) — The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

    - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures of functions
    - That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated
    - That entities have flexibility as to the order in which they represent the notes to financial statements
    - That the share of OCI of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

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

- PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts.* PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance in PFRS 7 in order to assess whether

the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendment.

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

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

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

Effective January 1, 2018

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

  The adoption of PFRS 9 will have an effect on the classification and measurement of the Company's financial assets and impairment methodology for financial assets, but will have no impact on the classification and measurement of the Company's financial liabilities. The adoption will also have an effect on the Company's application of hedge accounting. The Company is currently assessing the impact of adopting this standard.

The following new standards issued by the International Accounting Standards Board (IASB) has not yet been adopted by the Financial Reporting Standards Council (FRSC)

- International Financial Reporting Standards (IFRS) 15, *Revenue from Contracts with Customers* — IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for

annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company shall consider the amendment for any future contracts with customers.

Effective January 1, 2019

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

  Under the new standards, lessees will no longer classify their leases as either operation or finance leases in accordance with IAS 17. Rather, lessees will apply the single-asset model. Under this model, lessees will recognize the assets and related liabilities for most leases on their balance sheets, and subsequently, will depreciate the lease assets and recognize interest on the lease liabilities in their profit or loss. Leases with a term of 12 months or less or for which the underlying asset is of low value are exempted from these requirements. The accounting by lessors is substantially unchanged as the new standard carries forward the principles of lessor accounting under IAS 17. Lessors, however, will be required to disclose more information in the financial statements, particularly on the risk exposure to residual value. The new standard is effective for annual period beginning on or after January 1, 2019.

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

With Deferred Effective Date

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate* — This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.