TOGETHER WE GROW

GINEBRA SAN MIGUEL INC. 2015 ANNUAL REPORT

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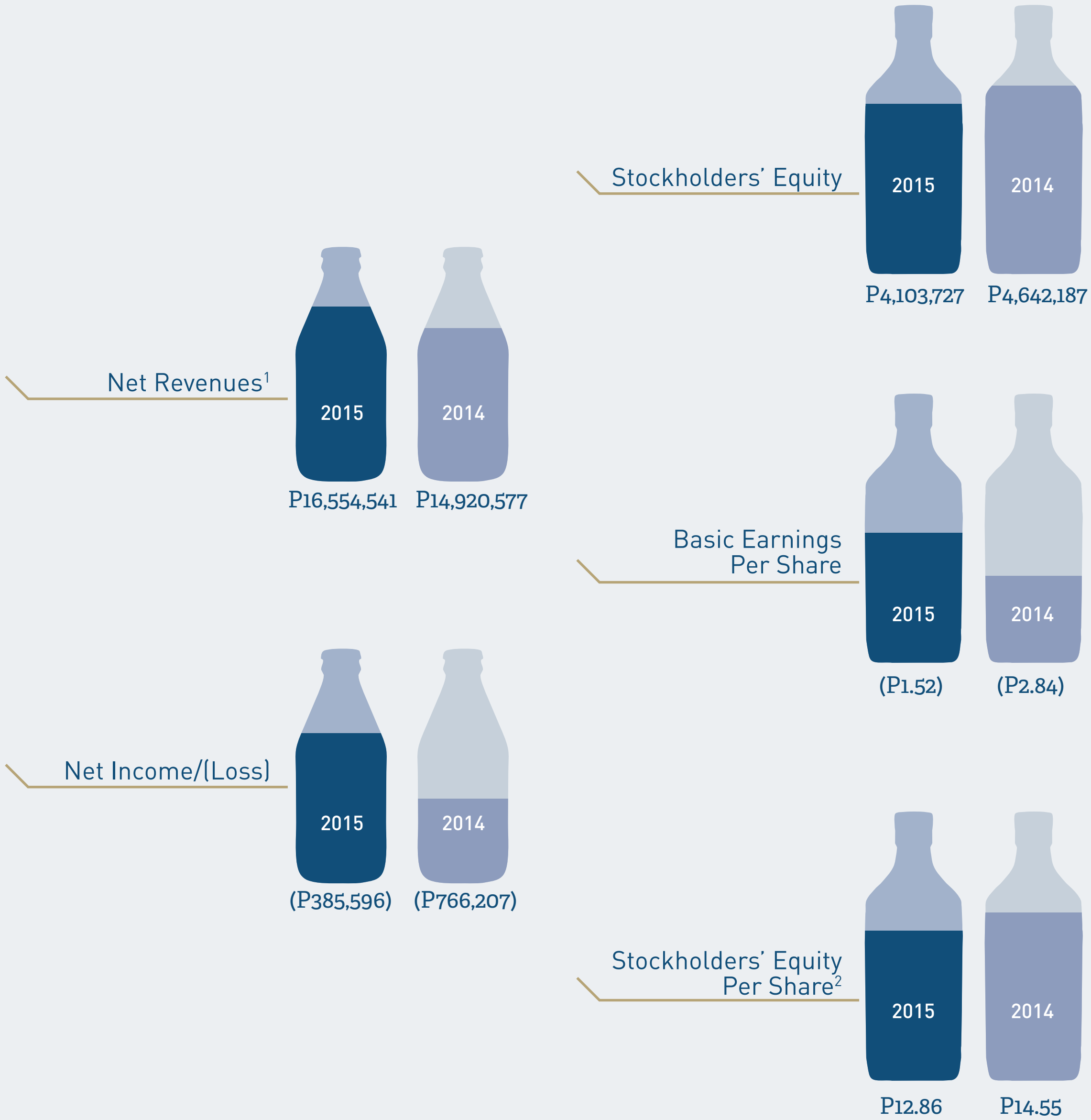
FINANCIAL HIGHLIGHTS

In Thousands Pesos, Except Per Share Data



1 Exclusive of discontinued operations
2 Based on the number of shares outstanding at the end of each year

MESSAGE TO STOCKHOLDERS

In 2015, our company registered its best showing in three years. After another year of growth in sales volumes and an improved bottom line, we're more than just cautiously optimistic that the oldest spirits company in the Philippines has turned a corner towards recovery.

In revitalizing our company, we've learned that the best way to achieve fresh growth is to continuously engage those who are equally passionate about moving our company forward.

As such, "Together We Grow" is the theme of our 2015 annual report. In these pages, we report on the achievements that are the result of the collaboration among our employees, business partners, and dealers.

Today, Ginebra San Miguel Inc. continues to strive to strengthen and expand its business. With a more synergistic approach, creative and inspiring ad campaigns that speak to an entirely new generation of consumers, and significant improvements in operational execution, we are steadily gaining on the majority of our key performance metrics, and setting out a path for further profitable growth.

As our rivals lost ground, a recent report by global research firm Nielsen recognized GSMI as the fastest-growing liquor company in the Philippines in terms of market share in 2015. We owe much of our success to our *"Ganado Sa Buhay"* campaign, which helped re-establish the popularity of our flagship Ginebra San Miguel in 2014. Continuing on the narrative that focused on how a typical Filipino family perseveres, we released "sequels" in 2015 touching on themes that resonated with many of our core drinkers.

New and innovative ways to enjoy our products also helped generate consumption. Roving bartenders onboard our "Gin on the Go" trucks served hand-crafted mixes

Ginebra San Miguel Inc. continues to strive to strengthen and expand its business. With a more synergistic approach, creative and inspiring ad campaigns that speak to an entirely new generation of consumers, and significant improvements in operational execution, we are steadily gaining on the majority of our key performance metrics.

for consumers at popular food joints. Vino Kulafu capitalized on the trend for drink mixes, drawing in drinkers with its "Kul-mix" concoctions.

Last year, we relaunched a newly reformulated GSM Blue. The update is an example of how the brand keeps up with the evolving lifestyles and preferences of young drinkers.

As a result of these efforts, our 2015 volumes improved 4 percent over the previous year, boosting our revenues 11 percent to P16.6 billion.

Our margins remained relatively healthy despite higher taxes resulting from the ad valorem portion of the excise tax, and higher cost of molasses. To mitigate the effect of rising costs, we looked for new sources of raw materials—specifically alcohol—and worked toward achieving greater efficiencies in our distillery operations. More accurate forecasting of bottle requirements also yielded favorable prices for brand new and secondhand bottles.

On account of improvements in volume and operations, Income from Continuing Operations reached P146 million, a reversal of the P54 million loss incurred the prior year. Notwithstanding improved operating results, a net loss of P386 million was still posted due to the recognition of deferred income taxes incurred in 2012.

By any measure, 2015 was a terrific year for our company. The years of decline may well have bottomed out and GSMI's strategy of focusing on execution and the strength of our core brand are starting to pay dividends. While we are already recognized as the maker of the world's largest selling gin, we intend to capitalize on opportunities to grow our international clientele with a full range of world-class products.

Business, expectedly, will be tougher this year, given the new round of tax increases, mounting competition, and the higher raw material and packaging costs. But we are confident that we have put in place a clear and sound strategy that will allow us to rise above these challenges.

As always we thank you, our valued shareholders, for the steadfast belief and unwavering support.

EDUARDO M. COJUANGCO, JR.
Chairman & CEO

BERNARD D. MARQUEZ
President

TOGETHER WE CELEBRATE

For Filipinos, drinks are meant to be shared, and to be enjoyed with friends. Very rarely that one finds a Pinoy drinking alone.

Those who happen to chance upon a drinking clique will almost always get invited with "tagay", an invitation to join even for just a swig. One glass is used by everyone in the spirit of sharing and equality.

"Tagay" is a Filipino drinking culture that our flagship brand Ginebra San Miguel has cultivated for the past nine generations.

It is in continuing this unique Filipino drinking culture and tradition that GSMI creates marketing activations and events that are geared towards promoting "tagay" and its values of camaraderie, friendship and togetherness.

Truly, at GSMI, we believe in celebrating life together.

For more than 180 years, Ginebra San Miguel has dominated the hard liquor industry, and has become part of Filipino culture and legacy.

Strong brand recognition is only one element of Ginebra San Miguel's success story. But to overcome the odds and come out victorious every time takes hard work, big ideas, precise timing and a bit of luck. The brand name is just a starting point. One needs to have a new story to tell to consumers, a story that people care about, a story that brings all of us together.

In 2015, Ginebra San Miguel pushed an advocacy that means a lot for Pinoys with the follow-up campaign to "Ganado sa Buhay". The advertisement paid tribute to hardworking fathers, the Filipino families' true heroes who never back down from the challenges of a workday. Of course, it has already become customary to offer a toast with Ginebra San Miguel, to celebrate their success.

Our brands provided consumers with memorable events and engagements that created not only a closer bond between the two, but also made it standout from the clutter of competition.

The "Ganado Sa Buhay" advertising campaign, along with the various sales and marketing events and activations, brought together the consumers and the brands, creating a closer bond between the two, and immersing consumers in memorable experiences. These efforts further pushed Ginebra San Miguel to a notable performance last year, as it remains as the volume driver for GSMI's total sales.

Below-the-line campaigns led by the annual Ginumanfest, capitalized on the flagship brand's equity and in turn, was extended to GSMI's other brands that needed extra push and public exposure.

Last year's annual Ginumanfest summer launch sizzled with appearances and performances from 2015 Ginebra San Miguel Calendar Girl Ellen Adarna and other brand ambassadors Jhong Hilario, Callalily, Rocksteddy, Banda ni Kleggy and Itchyworms.

Ginebra San Miguel Premium Gin, GSM Blue, GSM Blue Flavors and Primera Light Brandy were also propelled forward as promotions focused on improved product quality and unique user experience.

The launch of the new GSM Blue, its reformulated taste and aroma, plus its new label, aims to cater to the ever-changing lifestyles and preferences of entry-level drinkers. GSM Blue embarked on a Blue Invasion to further promote the product, and toured the most happening bars and restaurants in the country with top bands and brand ambassadors Callalily and Itchyworms. Primera Light Brandy also hit the road with its own concert series at various tourist draws such as Kadayawan Festival in Davao City and Higantes Festival in Angono, Rizal.

GSMI's other heritage brand, Vino Kulafu, maximized its affiliation to the Pacquiao biopic "Kid Kulafu" through merchandising, while Vino Kulafu "Kul-Mix," a collection of concoctions using the popular Chinese wine, was launched to attract entry level drinkers in Visayas and Mindanao.

As a way of giving back to the millions of loyal kabarangay, GSMI's Christmas promo "Milyun-Milyong Ganado Caps and Selyo Raffle Promo" gave away millions of pesos in exciting prizes. Vilma Reyes, a 43-year-

The launch of new and innovative offerings such as the Ginebra San Miguel Gin Truck, Premium Gin's handcrafted cocktails and Vino Kulafu's Kul-Mix continues to make our heritage brands relevant to consumers.

old banana cue vendor from Lucena City who won the one-million-peso grand prize, planned to invest the money in growing her small business.

While GSMI has kept tried and tested marketing and promotional efforts, it has also begun executing experiential marketing campaigns as virality gained influence. These campaigns helped our brands to become relevant and formed a connection with a new breed of consumers, those who crave for what's new, trendy and what gets more "likes" online.

The first #WorldGinDayPH celebration was headlined by a grand fans day for all the die-hard kabarangay that was held simultaneously in three different venues—Bellagio Square in Manila, Obeertime in Makati and Quattro in Quezon City. Ginebra San Miguel was also featured as the "Drink of the Month" at selected bars and restaurants in Metro Manila. At the same time, the Ginebra San Miguel Premium Gin Journey kicked off during the World Gin Day, sharing "tagay" to the British Chamber of Commerce and American Chamber of Commerce.

Another show of strong consumer engagement and product innovation was the launch of Ginebra San Miguel "Gin on the Go", an innovative concept that was an instant hit among this generation of party goers and mixed drink aficionados. The Instagram-worthy brown "vintage" truck outfitted with a back bar, bar wells and a mini-kitchen, toured the hottest weekend food bazaars and holes in the wall around the Metro offering gin-based cocktail drinks artfully crafted by the country's top mixologists and bartenders.

To create further buzz for the brands on social media, actress/model and social media infuencer Arci Munoz was tapped as Ginebra San Miguel calendar girl for 2016. Arci joined the ranks of popular beauty queens, models and actresses who have graced the brand's calendars. Ginebra San Miguel also introduced a different twist to its annual calendar promotions offering consumers and collectors alike, a limited edition magazine calendar with coupons that can be exchanged for products or premium merchandise items.

In every "tagay" that we share, GSMI continues to evolve with a promise of more exciting things to come — more innovative products and more ways to enjoy them. As we look forward, we envision to set ablaze new trails as we continue our journey to more successes, together.

GROWING THE BUSINESS TOGETHER

Business may rise and fall as markets evolve, but it's the bonds we make in life that hold us together and carry us through trying times. Such is the essence of the partnership formed with our loyal dealers who have remained steadfast in their commitment to constantly support Ginebra San Miguel. They continue to be the major pillar of our success, as well as the driving force that propels our future.

Teresita Lim Yuen

There seems to be no sign that Teresita Lim Yuen of TLY & Sons is slowing down. For 55 years, the company has championed the brand Ginebra, and it would seem half a century isn't enough to call it a day for the 92-year old matriarch of the business. The nonagenarian remains active in the day-to-day operations of the company, ensuring everything is done in order. GSMI's oldest dealer takes its name from Teresita's late husband Domingo Lim Yuen, who first opened the business in 1960 in Isabela. Back then, you could buy Ginebra by the shot or "takal" at five centavos, and people would pass by the store before going to work in the morning for a shot, and take another shot before going home. They started with 8,000 cases the first year, but with the Yuens' entrepreneurial skills and popularity of the brand, volume has grown substantially in the following decades since. While the brand's popularity certainly helped her business grow, Teresita, fondly called Mommy Terry by many, believes that her hands-on approach and sincerity and fairness in dealing with customers played a big part in her success. She believes that mutual respect and understanding between her and the customers are key. "They are always happy to see me. It is important that customers know you personally," says Mommy Terry. "If they know you, they will sell your products." With the help of her family, now second and third generation GSMI dealers, Mommy Terry makes sure she takes good care of what her husband started years ago. "My husband would always tell me to be loyal and to always stick to our word of honor. Whatever the agreement is with Ginebra, it should be followed," shares Mommy Terry. Amidst challenges, the family-owned business has stayed the course by focusing on gin. "We really concentrated on it as our main product. For our area, it has always been gin. So when competition came in, we weren't really that much affected," she added. This longstanding partnership has benefitted both parties, and continues to grow stronger than ever. "For us, it's not just a product, it's not just a business—it's who we are. It's our identity. TLY is synonymous to Ginebra San Miguel."

With the help of her family, now second and third generation GSMI dealers, Mommy Terry makes sure she takes good care of what her husband started years ago.

Ephraim Lim

Relationship with Ginebra has been very good for new dealer Ephraim Lim. Jimjim, as he is often called by peers, entered into distributorship with the company in 2013. It was a time when the gin business was experiencing tough competition. But despite Ginebra's performance that year, the owner of ELIM Agricultural Supply never doubted the partnership's capacity to grow. And it is this same belief in the company that made Jimjim hold on through the challenging years. He attributes this to the give-and-take relationship that has always been the business culture not just in Ginebra, but with the whole San Miguel family. "People at San Miguel are very professional. They understand our problems. Sometimes, they'll ask me to innovate and do things in a certain way, and I'll try it. It usually comes out successful. Their programs are very good, very friendly to distributors." Fate brought Jimjim and San Miguel together when the former's copra business wasn't doing so good, and since he had so many bodegas, SMC decided to rent them out. "Their program was to go into distributorship. So it was me they asked first. And because I was already handling the bodega, it was easier on my part." Initially, Jimjim was simply dealing B-Meg feeds, but this partnership would soon develop into a relationship of trust and mutual respect as he began to distribute all of San Miguel's products, beginning with Magnolia chicken in the 1970's and later on San Miguel Beer, Monterey, and then SMC-owned Coca-Cola. "I trust San Miguel so much. I distribute all their products so it's natural for me to accept any offer from them," shares Jimjim. "We've had offers of higher rates but how can we accept when we really don't know the company. SMC understands us, so I never had second thoughts about doing business with them."

Ferdinand Uy

It is Ferdinand's "Boyet" Uy's positive attitude that has kept Asia Gold Trading of Cagayan firm in their support of GSMI. The Uy's are involved in other businesses, such as a hotel, gas station, and another dealership with sister company San Miguel Brewery Inc. In 2002, the Uys started selling Ginebra San Miguel products, a partnership that has proven to be most rewarding as they now rank Top 1 dealer in North Luzon and Top 5 dealer in the country. For the past 15 years, despite the challenges faced from competition, they remained loyal in supporting Ginebra San Miguel products. "We have a very good working relationship with GSMI. They continue to support us with timely and effective promotions to increase sales," says Boyet. "In return, we implement all their strategies and sell their products to the best of our abilities. It's a win-win relationship with the GSMI team." A father of four daughters, his eldest Nikki is now very hands on with the business. Even during the challenging years of the past, Boyet never doubted Ginebra's ability to bounce back stronger. "We thought positively and exercised patience. We believed Ginebra will bounce back again. Of course, we also supported it with hard work. We believe in the never-say-die spirit of Ginebra San Miguel. We were once the market leader, and we can be number 1 again." Boyet believes that as long as he is here to support Ginebra, he knows the company in turn would always be there to protect his interest and increase his sales. "We are very optimistic of our future relationship with GSMI. With mutual trust and support, this relationship is sure to further strengthen the business."

PORTFOLIO OF BEVERAGES

GINEBRA SAN MIGUEL

Made from sugarcane alcohol and selected imported essences. The icon of Philippine drinking culture continues to be the no. 1 selling gin in the world.

MANILA SUNRISE

30 ml Ginebra San Miguel
15 ml coffee liqueur
90 ml orange juice

Pour 30 ml of Ginebra San Miguel in a glass. Add 15 ml coffee liqueur and 90 ml orange juice. Stir well and serve.

ANTONOV VODKA

Fermented from sugarcane, quadruple distilled and charcoal filtered. The neutral taste and aroma of Antonov Vodka makes it great to drink neat or mixed.

COSMOPOLITAN

30 ml Antonov Vodka
15 ml orange liqueur
15 ml lime juice
30 ml cranberry juice

Mix 30 ml Antonov Vodka, 15 ml orange liqueur, 15 ml lime juice, and 30 ml cranberry juice in a glass. Stir and serve.

TONDEÑA MANILA RUM

The leading export product that is made with select sugarcane alcohol and aged in oak barrels. Tondeña Manila Rum comes in three exquisite variants. Dark, full-flavored and heavy-bodied rum. Gold, classic medium-bodied rum. Silver, milder flavor and lighter body.

GSM BLUE FLAVORS

A perfect mix of clear spirit and flavors with an extra light alcohol content. Enjoy it in Mojito and Brown Coffee variants. Drink it neat, chilled or mixed.

MOJITO SLUSH

60 ml GSM Blue Mojito
90 ml lemon soda
1 teaspoon granulated sugar
2 pieces lime cubes
1 sprig of mint leaves

Muddle together a teaspoon of granulated sugar and 2 pieces of lime cubes in a glass. Add 60 ml GSM Blue Mojito, 90 ml lemon soda and a sprig of mint leaves. Stir and enjoy.

GINEBRA SAN MIGUEL PREMIUM GIN

With just the right kick of alcohol, the exquisite blend of extracts of botanicals and juniper berries blended with ENA (Extra Neutral Alcohol) gives Ginebra San Miguel Premium Gin a smooth, clean and crisp taste.

SWEET LEMONY MARTINI

30 ml Ginebra San Miguel Premium Gin
15 ml freshly squeezed lemon juice
30 ml sugar syrup

Mix 30 ml of Ginebra San Miguel Premium Gin with 15 ml of fresh lemon juice and 30 ml of sugar syrup in a glass. Stir well and serve.

GSM BLUE

The quintessential drink of the youth, GSM Blue is blended with essences of juniper berries and other botanicals ideal for mixed drinking.

BLUE ROYAL FIZZ

45 ml GSM Blue
15 ml Crème de Cassis
60 ml orange juice
30 ml lemon soda

Mix together 45 ml of GSM Blue, 15 ml of Crème de Cassis, 60 ml of orange juice, and 30 ml of lemon soda in a glass. Stir well and serve.

PRIMERA LIGHT BRANDY

Made from choice grape alcohol that is aged longer, Primera Light Brandy is made smoother with the breakthrough Premium Smooth Blend process. Its rich and flavorful taste is best served neat or on the rocks.

VINO KULAFU

The Philippines' best-selling Chinese wine, popular for its 12 authentic Chinese botanical herbs and health benefits. Drink neat or mixed.

CITRUS SPICE

30 ml Vino Kulafu
1 teaspoon granulated sugar
60 ml lemon soda
¼ teaspoon grated ginger

Blend together 30 ml Vino Kulafu with 1 teaspoon granulated sugar, 60 ml lemon soda and ¼ teaspoon of grated ginger in a glass. Mix well then serve.

Beneficiaries from NCR Cherry Galit and John Louie Ferrer during a flairtending enhancement workshop.

BUILDING A BETTER FUTURE TOGETHER

GSMI is committed to making a real difference to its communities through its corporate social responsibility (CSR) efforts.

Our thrust is to provide opportunities for people to realize their potential and empower them to improve their lives. To enable them to feel as we do: "ganado sa buhay".

Now on its second year, the Ginebra-TESDA Technopreneurship Program, launched during our 180th anniversary celebration, continues to help young people who want to make their mark in the service industry or become entrepreneurs in their own right.

Thus far, beneficiaries from eight different regions have graduated from the program. Apart from bartending and mixing skills, they were also taught Basic Entrepreneurship, so they can run their own mobile bar. The project is the first-of-its-kind at TESDA, because it not only provides training for beneficiaries, but also a means of livelihood. The program has since become a model for other private companies.

As business partners, GSMI continuously provides beneficiaries with mixology training sessions and bar operations seminars to assist them in running their businesses. For better appreciation of the business, its operations and products, beneficiaries are also given tours of GSMI's plants.

Success stories abound, as about 90 percent of the graduates have found a source of livelihood, with most running their own mobile bars, and others gaining employment. The new mobile bar operators have posted an estimated one million pesos in earnings for 2015.

Changing lives
Cherry Galit and John Louie Ferrer are from the NCR group of beneficiaries. Cherry was taking up Food and Beverage Service at the TESDA Women's Center, while John was taking up a similar vocational course, when they applied

for the program. Today, with their own mobile bar business, they proudly count themselves as entrepreneurs. They utilize social media to continuously expand their mobile bar clientele. Cherry is confident that they can grow the business. Compared to her old job as service crew for a fast-food restaurant, the business, she says, is more financially rewarding. "Nakakatulong ito sa pagpapagamot sa mother ko na may sakit," she adds.

"Hindi lang kami kumikita, inspired kami to work harder para palakihin ito. Gusto namin makaipon para hindi na kami maging empleyado. Gusto namin magkaroon pa ng ibang mobile bar hindi lang isa o dalawa, o tatlo, o lima," John smiles.

Grace Pones, a single mom from Biliran, once had to leave her daughter behind for four years to work as a baby sitter in the Middle East. She's had more time to spend with her daughter since her group put up a bar called GSMI in their municipality.

"In the beginning, I had to explain to them why we have to work hard to establish 'yung business," says Grace, who stands as the group's mother hen. "Sabi ko, kung naka-istambay lang sila, kailangan pa nila humingi pati pang-load sa mga nanay nila." Now, she divides their earnings weekly, and the members of her group have become self-sufficient. Her group also caters to various events in their province, "malalaking handaan, mga debut at saka piyesta. We offer drinks towers and special cocktails for the VIP guests," she remarks proudly.

Today, her group is eyeing a location near the seaside to put up their bar business. "Hindi ko iniisip dati na magagawa ko ito, na ako naman ang boss," she grins.

Rocky Cecogo of Eastern Samar was a high school scholar who did a lot of odd jobs (catering assistant, landscaper, floral decorator) to earn extra cash. Even when he was already able to earn some money, his dream was always to finish college someday.

"Iniisip ko kasi, oo may kinikita ako ngayon, pero ano na ang pangtustos ko bukas? May kasabihan kami sa amin na ang edukasyon ang susi na makakapagpalaya sa mga mahihirap na tao at makakapagbigay ng maginhawang buhay para sa lahat," he confidently replies.

Grace Pones, a beneficiary from Biliran province, prepares a cocktail mix using GSM Blue.

Rocky Cecogo of Eastern Samar joined the tour at the GSMI Cabuyao Plant in Laguna for better appreciation of the business and its products.

This was why he and his groupmates enthusiastically signed up for the program. Out of all mobile bar recepients, their group is now the top performer.

"Tinatanong kami ng mga tao kung bakit Ginebra San Miguel ang ginagamit namin. Sinasagot ko na ang GSM is world-class at high-quality. Dapat tangkilikin natin ang ating sariling produkto," he explains.

They have had 30 events so far. "Malaki ang kinikita namin dito. Sa isang event umaabot kami ng P1,000 na kita each, samantalang nung namasukan ako as crew sa burger shop, P250 lang ang sweldo ko."

He reveals that a portion of his earnings goes to his parents for their daily needs and towards the studies of his three siblings. He is also saving up for college. They plan to set up a permanent bar in the future. "Napakalaking pasasalamat ko sa GSMI for this opportunity. Kung hindi dahil dito, wala kaming sariling negosyo, napagkakakitaan at additional knowledge na naa-apply namin sa aming buhay."

BOARD OF DIRECTORS

EDUARDO M. COJUANGCO, JR.
Chairman & CEO

RAMON S. ANG
Vice-Chairman

BERNARD D. MARQUEZ
President

LEO S. ALVEZ

GABRIEL S. CLAUDIO

FRANCISCO S. ALEJO III

MARIO K. SURIO

MINITA V. CHICO-NAZARIO
(Independent Director)

FRANCISCO H. VILLARUZ, JR.
(Independent Director)

CORPORATE GOVERNANCE

Corporate Governance refers to the framework of rules, systems, and processes of a corporation that governs the performance of the Board of Directors and Management of their respective duties and responsibilities to the corporation's stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government, and the community in which it operates. Recognizing that good corporate governance plays a vital role in creating and sustaining shareholder value, Ginebra San Miguel Inc. (the "Company"), on August 6, 2002, institutionalized the principles of good corporate governance in the entire organization by establishing and implementing a Manual on Corporate Governance (the "Manual"). The Company's Board of Directors, Management, Officers, employees, and shareholders believe that corporate governance is a necessary component of what constitutes sound strategic business management. Accordingly, the Company continuously exerts effort to make the organization aware of good corporate governance practices.

Ensuring that the Manual is current and consistent with prevailing issuances, rules and circulars (collectively, the "Rules") of the Securities and Exchange Commission ("SEC"), the Company amended the Manual twice in 2014 to align the provisions thereof with the SEC Rules.

BOARD OF DIRECTORS

The Company's Board of Directors (the "Board") is aware that compliance with the principles of good corporate governance starts with the Board. The Board believes that a director's office is one of trust and confidence and that it is incumbent upon each of the directors to act in a manner characterized by transparency, accountability and fairness, and for the best interest of the Company. Bearing these in mind, the Board exercises leadership, prudence, and integrity in leading the Company towards sustained progress.

The Board is responsible for fostering the long-term success of the Company and ensuring its sustained competitiveness in a manner consistent with its fiduciary responsibility, which it shall exercise in the best interest of the Company, its stockholders, and other stakeholders. The Board is likewise responsible for formulating the Company's vision, mission, strategic objectives, policies and procedures that shall guide its activities, including the means to effectively monitor Management's performance.

Committed to good corporate governance practice and to keep themselves updated on the relevant laws, rules, regulations, circulars and issuances of regulatory bodies, all incumbent directors attended a Corporate Governance Seminar conducted on September 24, October 20, November 11, and December 4, 2015 by Risks, Opportunities, Assessment and Management, Inc., a SEC-accredited provider.

Board Composition

The Board of the Company is composed of nine (9) directors, each elected annually by the stockholders during the Regular Stockholders' Meeting ("RSM"). The directors hold office until the next annual election and until their successors are duly elected and qualified.

Independent Directors. The Company has two (2) Independent Directors (ID), who, apart from their fees and shareholdings, have no business or relationship with the Company, which could, or could reasonably be perceived to, materially interfere with the exercise of their independent judgment in carrying out their responsibilities as directors. The incumbent Independent Directors of the Company are Minita V. Chico-Nazario and Francisco H. Villaruz, Jr., who were elected by the stockholders during the 2015 RSM of the Company on May 28, 2015. This is in compliance with Section 38 of the Securities Regulation Code ("SRC") and Article 3(A) of SEC Memorandum Circular No. 6, Series of 2009.

Chairman and President. The Chairman of the Board and Chief Executive Officer is Mr. Eduardo M. Cojuangco, Jr., while Mr. Bernard D. Marquez is the President. Two (2) separate individuals hold these positions with their respective roles clearly defined to ensure independence, accountability, and responsibility in the discharge of their respective duties.

Board Committees

To aid the Board in complying with the principles of good corporate governance, the Board constituted four (4) committees, namely: 1) Executive Committee; 2) Nomination and Hearing Committee; 3) Executive Compensation Committee; and 4) Audit Committee. In order to further clarify and expound on the role, authority, duties and responsibilities of the Board Committees, each of the Committees, with the exception of the Executive Committee, has approved and adopted their respective charters. The Audit Committee Charter was approved on November 9, 2012 while the respective Charters of the Nomination and Hearing Committee and Executive Compensation Committee were approved on November 7, 2013.

The following are the members of the Board Committees:

EXECUTIVE COMMITTEE	
Members	Role
Eduardo M. Cojuangco, Jr. (Chairman) Ramon S. Ang Bernard D. Marquez Francisco S. Alejo III Ferdinand K. Constantino (Non-Director Member)	The Committee acts within the power and authority granted upon it by the Board and is called upon when the Board is not in session to exercise the powers of the latter in the management of the Company, except as specifically limited by the Board or by law.

NOMINATION AND HEARING COMMITTEE	
Members	Role
Leo S. Alvez (Chairman) Bernard D. Marquez Gabriel S. Claudio Francisco H. Villaruz, Jr. (ID) Mario K. Surio Casiano B. Cabalan, Jr. (Ex Officio Member)	The Committee, among others, pre-screens and shortlists candidates for nomination to become a member of the Board in accordance with the qualifications and disqualifications for directors set out in the Amended Articles of Incorporation ("Articles") and By-Laws, Manual, as well as applicable laws, rules and regulations, including the issuances of the SEC.

EXECUTIVE COMPENSATION COMMITTEE	
MEMBERS	Role
Ramon S. Ang (Chairman) Bernard D. Marquez Leo S. Alvez Minita V. Chico-Nazario (ID) Ferdinand K. Constantino (Non-Director Member)	The Committee advises the Board on the establishment of formal and transparent policies and practices on remuneration of directors and executives and provides oversight function over remuneration of senior management and other key personnel, ensuring consistency with the Company's culture, strategy, and control environment.

AUDIT COMMITTEE	
Members	Role
Minita V. Chico-Nazario (ID and Chairperson) Leo S. Alvez Francisco S. Alejo III Francisco H. Villaruz, Jr. (ID) Ferdinand K. Constantino (Non-Director Member)	The Committee assists the Board in fulfilling its oversight responsibility on the Company's corporate governance processes relating to financial statements and financial reporting process, risk management, internal control system, audit processes, and compliance with accounting standards, legal, and regulatory requirements.

Performance of the Board and the Committees

Board Performance
In order to accomplish its duties and responsibilities, the Board holds regular meetings during the year. The Corporate Secretary sends notices and provides the members of the agenda and other necessary information to enable the directors to discuss and arrive at intelligent decisions on matters requiring Board approval.

In 2015, the Board had four (4) regular meetings and one (1) organizational meeting. The members of the Board also attended the 2015 RSM.

The Board has implemented an annual internal self-rating system since its adoption on November 8, 2011, in order to assess and improve the performance of the Board in accordance with the best practices in corporate governance and the effectiveness of the Company's governance process. The said system covers four (4) broad areas of Board performance, namely: Fulfillment of the Board's Key Responsibilities; Board–Management Relationship; Effectiveness of Board Processes and Meetings; and Individual Performance of Board Members.

The details relative to the attendance of directors in Board meetings and RSM in 2015 are shown in the table below.

BOARD MEETINGS IN 2015						RSM
DIRECTORS	MAR 25	MAY 11	MAY 28	AUG 6	NOV 9	MAY 28
Eduardo M. Cojuangco, Jr.	Present	Present	Present	Present	Present	Present
Ramon S. Ang	Present	Present	Present	Present	Present	Present
Bernard D. Marquez	Present	Present	Present	Present	Present	Present
Francisco S. Alejo III	N/A*	N/A*	Present	Present	Present	N/A*
Leo S. Alvez	Present	Present	Present	Present	Present	Present
Gabriel S. Claudio	Present	Present	Present	Present	Present	Present
Mario K. Surio	N/A*	N/A*	Present	Present	Present	N/A*
Minita V. Chico-Nazario	Present	Present	N/A*	Present	Present	Absent
Francisco H. Villaruz, Jr.	Present	Present	Present	Present	Present	Present

*N/A means "Not Applicable" since they were only elected during the 2015 RSM.

Board Committee Performance
The Nomination and Hearing Committee and Audit Committee were the only committees that held meetings in 2015. The Nomination and Hearing Committee convened on March 25, 2015 and all the members were present to discuss and evaluate the qualifications of the nominees for the Board of Directors of the Company for 2015. The Audit Committee held meetings to, among others, review and approve the Company's 2014 Audited Consolidated Financial Statements, as well as the Company's unaudited financial statements for the first three (3) quarters of 2015.

The details of the attendance of the directors in the Audit Committee meetings in 2015 are shown below.

AUDIT COMMITTEE MEETINGS IN 2015				
MEMBERS	MAR 25	MAY 11	AUG 6	NOV 9
Minita V. Chico-Nazario	Present	Present	Present	Present
Ferdinand K. Constantino	Present	Present	Present	Present
Leo S. Alvez	Present	Present	Present	Present
Francisco H. Villaruz, Jr.	Present	Present	Present	Present
Francisco S. Alejo III	N/A*	N/A*	Present	Present

*N/A means "Not Applicable" since Mr. Alejo was elected only during the 2015 RSM.

Board Remuneration

In 2015, each director received a per diem of Ten Thousand Pesos (P10,000.00) per attendance at Board and Committee meetings of the Company.

ACCOUNTABILITY AND AUDIT

Audit Committee. The Audit Committee performs oversight functions to both external and internal auditors. The role and responsibilities of the Audit Committee are clearly defined in the Company's Manual and Audit Committee Charter.

External Auditor. The External Auditor, whose main function is to facilitate an environment of good corporate governance as reflected in the Company's financial records and reports, is selected and appointed by the stockholders upon the recommendation of the Audit Committee. In instances when the External Auditor suspects fraud or error during its conduct of audit, it is required to disclose and express its findings on the matter.

From 2006 up to the present, the accounting firm of R.G. Manabat & Co. (formerly Manabat Sanagustin & Co., CPAs) has been the Company's External Auditor. Compliant with Part I (3) (b) (ix) of SRC Rule 68, as amended, with respect to the re-engagement of the said audit firm, the Company consistently observes the rule on rotation for the signing partner every after five (5) years. Representatives of the audit firm were present and available at the 2015 RSM, to respond to appropriate questions and were given an opportunity to make a statement, if they so desire.

Fees for the services rendered by the external auditor to the Company and its subsidiaries in connection with the Company's annual financial statements and other statutory and regulatory filings for 2015 amounted to about Seven Million Pesos (P7,000,000.00).

Internal Auditor. The Company maintains an internal auditing department known as the Ginebra San Miguel Group Audit ("GSM Group Audit"), in order to review and evaluate its Philippine and international operations, including those of its subsidiaries. The GSM Group Audit has its own Internal Audit Charter which sets forth the policy, purpose, scope of work, responsibility and authority, independence, and standards of audit practice. Consistent with its charter, the said group provides an independent and objective assurance that the risk management, control, and governance processes of the Company and its subsidiaries are adequate and functioning. It is also responsible for identifying and evaluating significant risk exposures of the Company and contributes to the improvement of risk management and control systems by assessing adequacy and effectiveness of controls covering the organization's governance, operations, and information systems.

Regular audits of the businesses of the Company, its subsidiaries, and support units are conducted according to an annual audit program prepared by GSM Group Audit and approved by the Audit Committee. Special audits are also undertaken, whenever and as necessary.

The GSM Group Audit is guided by the International Standards on Professional Practice of Internal Accounting. It functionally reports directly to the Audit Committee.

DISCLOSURE AND TRANSPARENCY

The Company believes that it is only through full disclosure and transparency that will enable the investment community to appreciate the Company's true business and financial condition, as well as the quality of its corporate governance. Thus, as and whenever necessary, the Company files the mandatory reports and disclosures to the regulatory bodies, which documents are uploaded in the Company's website.

Ownership Structure

The top twenty (20) common and preferred stockholders of the Company, including the shareholdings of certain record and beneficial owners who own more than five percent (5%) of its capital stock, its directors, and senior executive officers, are disclosed annually in its Information Statement ("IS"), which is distributed to the stockholders prior to the RSM.

Financial Reporting

The Company regularly informs the investing public on its operating performance and financial information through the timely submission of its disclosures and reportorial requirements with the SEC and the Philippine Stock Exchange, Inc. ("PSE"). As may be necessary, it also discloses with the SEC and PSE such other major and market-sensitive information that affect share price performance.

The Company's financial statements conform to Philippine Accounting Standards and Philippine Financial Reporting Standards, which are all in compliance with International Accounting Standards. The Company's quarterly financial results for the first three (3) quarters of the relevant year, as well as the Audited Consolidated Financial Statements for the latest completed financial year, which form part of the IS distributed to the stockholders, are released and are duly disclosed to the SEC and PSE within the prescribed period. The financial results are also presented to financial and investment analysts through the quarterly Investors' Briefing.

Securities Dealing

Committed to the highest standards of values, expertise, and professionalism, the Company has adopted a Policy on Dealings in Securities to comply with international best practices in corporate governance. The policy sets out the conditions and rules under which the directors, officers, and employees of the GSMI Group shall deal in securities of the Company. Under this policy, the directors, officers, and certain employees are considered to have access to "insider information" i.e. knowledge or possession of material non-public information about the Company by virtue of their functions and responsibilities. As such, these employees are prohibited from dealing in any of the Company's securities at any time when they have knowledge or possession of "insider information" and during a specified time frame or "blackout period".

Related Party Transactions

All related party transactions of the Company are made in the ordinary course of business, on an arms-length basis and at market rates. An assessment is undertaken at each fiscal year by examining the financial position of the related party and the market in which the related party operates. Moreover, consistent with the requirement in the Company's Manual that all material information, i.e., anything that could potentially affect share price, shall be publicly disclosed, related party transactions are fully disclosed in the Company's Notes to the Consolidated Financial Statements.

STOCKHOLDERS' RIGHTS AND STAKEHOLDER RELATIONS

Stockholders' Meeting

Stockholders shall be encouraged to personally attend the RSM. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Stockholders are informed of the RSM at least fifteen (15) business days before the scheduled date of the meeting. The Notice to Stockholders ("Notice") sets the date, time, venue, and agenda of the meeting. It also contains information pertaining to proxies: the required document to submit, deadline for submission thereof, and date of their validation. The Notice for the 2015 RSM was approximately sent to the stockholders on May 7, 2015.

Voting Rights and Voting Procedures

Each share, whether common or preferred, registered in the name of the stockholder entitles such stockholder to one (1) vote, which may be exercised in person or by proxy at the stockholders' meetings, including the RSM. Stockholders have the right to elect, remove, and replace directors as well as vote on certain corporate acts in accordance with the Corporation Code. In electing members to the Board, every stockholder is entitled to cumulate his/her/its votes in accordance with the provisions of law. Voting procedures on matters presented for approval to the stockholders in the RSM are set out in the IS.

Pre-emptive Rights

All shareholders shall have pre-emptive rights; they shall have the right to subscribe to all issues of shares of the Company in proportion to their shareholdings, unless the same is denied in the Articles or an amendment thereto.

Under the Company's Articles, stockholders do not have pre-emptive rights to subscribe to the convertible preferred shares or to subscribe to the common shares to be issued by the Company upon conversion of the preferred shares and the conversion of any notes issued to redeem such preferred shares. Subject to certain conditions and threshold on the percentage of shares allotted to be issued pursuant to a duly approved stock option, stock purchase, stock subscription or similar plans (collectively, the "Plans"), stockholders do not have pre-emptive rights to shares issued, sold or disposed of by the Company to its officers and/or employees pursuant to such Plans.

Right to Information of Stakeholders and Investor Relations

The Company exercises transparency when dealing with stockholders, customers, employees, and trade partners, and ensures that these transactions adhere to industry standards and fair business practices in order to establish long-term and mutually beneficial relationships. Stakeholders can access important information about the Company, including its reportorial filings with the SEC and PSE, by visiting the Company's website, http://www.ginebrasanmiguel.com.

Stakeholders are provided hard copies, through the Investor Relations Office of the Company and its parent company, San Miguel Corporation, of disclosures, announcements, and upon request, with periodic reports filed with the SEC and PSE.

The Company addresses the information requests of the investing community and keeps in touch with minority stockholders through timely disclosures to the SEC and PSE, regular quarterly Investors' Briefings, RSM, Company website, emails, and telephone calls.

The Company also holds combined Investors' Briefings with SMC and other SMC subsidiaries and regularly meets with investment and financial analysts.

The shareholders of the Company shall be provided, upon request, with periodic reports which disclose relevant personal and professional information about the directors, officers, and certain other matters such as their shareholdings in the Company, dealings with the Company, relationships among directors and key officers, and the aggregate compensation of directors and Officers.

Dividends

Holders of common shares are entitled to receive dividends as the Board may, in its sole discretion, declare from time to time. The Board, however, is required, subject to certain exceptions, to declare dividends when the Company's retained earnings equal or exceeds its paid-up capital stock. Holders of preferred shares are entitled to participate and receive dividends as and when declared by the Board to common stockholders as such rate or amount as may be fixed by the Board. Such right to receive dividends may be cumulative. No dividends were declared in 2015.

EMPLOYEE RELATIONS

"Respect for our People" is one of the Company's corporate values. The Company believes that its people are its strength. In line with this, the Company ensures compliance with general labor standards, inclusive of occupational health and safety standards in the workplace.

The Company is committed to maintain a work environment that encourages trust, openness and mutual respect, regardless of rank or title and promotes a healthy work-life balance. It is also the Company's policy to promote career advancement and development through the numerous training programs and seminars implemented by and/or facilitated by the Company's Human Resources Department. The Company has also launched an Employee Education Program (EDPRO) which supports employee efforts on continuous learning and self-improvement. Subject to certain conditions, the Company through the EDPRO may subsidize the educational expenses of qualified employees who are pursuing undergraduate, post-graduate or technical-vocational courses.

Conflict of Interest

The Company implements a policy on Conflict of Interest which espouses the principle that officers and employees have a duty to act in the best interest of the Company. As such, in the event that any personal interest of an officer or employee may conflict with the interest of the Company, proper disclosure through the accomplishment of the Full Business Interest Disclosure Form should be made and a review by higher Management shall resolve the conflict. This policy specifically requires offices and employees to: conduct business affairs with fairness; avoid granting undue personal favors; engage only in private activities or business consistent with responsibilities as officers and employees and not detrimental to the interest of the Company; refuse gifts that might connote bribery in any way; utilize Company property, funds, equipment, and time solely for Company purposes, and recognize that all intellectual property and rights so created are owned by the Company; and seek prior Management clearance before engaging in outside work.

Code of Ethics

The Company adheres to the SMC group-wide Code of Ethics that sets out the fundamental standards of conduct and values consistent with the principles of good governance and business practices that shall guide and define the actions and decisions of the directors, management, officers, and employees of the Company. The Company is firmly committed to the promotion of a culture that fosters and maintains the core values of fairness, transparency, accountability, and integrity in the conduct of its business and expects each of its directors, officers, and employees to observe with zeal such core values in the performance of their duties, in their relationships with fellow employees and in all their dealings with shareholders, customers, suppliers, government, and the general public.

Whistle Blowing

Procedures have been established for the communication and investigation of concerns regarding the Company's accounting, internal accounting controls, auditing, and financial reporting matters under a SMC group-wide Whistle Blowing Policy. The said policy provides that all complaints be ultimately referred to the Audit Committee, which complaints may be on anonymous basis and which shall be placed in confidential files and will be retained for seven (7) years or for such longer time as the Audit Committee may deem necessary. All communications received through the established channels will be kept confidential. The Audit Committee will determine whether any action or response is necessary or appropriate in respect of a communication, and it will take or direct such action as it deems appropriate.

COMPLIANCE MONITORING

To ensure adherence to corporate principles and best practices, the Board has appointed a Compliance Officer who has direct reporting responsibilities to the Chairman of the Board. The Company's Compliance Officer is responsible for monitoring compliance by the Company with the provisions and requirements of the Manual, and the rules and regulations of regulatory agencies.

WEBSITE

More detailed information on the Company may be viewed at http://www.ginebrasanmiguel.com.

REPORT OF THE AUDIT COMMITTEE

For the year ended December 31, 2015

The Company's Amended Manual on Corporate Governance (the "Manual") and Audit Committee Charter (the "Charter") mandate the Audit Committee (the "Committee") to assist the Board of Directors in fulfilling its oversight responsibility on the Company's corporate governance processes relating to financial statements and financial reporting process, risk management, internal control system, audit processes, and compliance with accounting standards, legal and regulatory requirements. In compliance with the said mandate, the Committee performed the following in 2015:

- Recommended to the Board of Directors and endorsed for approval by the stockholders, the appointment of R.G. Manabat & Co., as the Company's independent external auditor for 2015;

- Reviewed and approved the terms of engagement of the external auditor, including the audit, audit-related and any non-audit services provided by the external auditor to the Company and the fees for such services, and ensured that the same did not impair the external auditor's independence and objectivity;

- Reviewed and approved the scope and objective of the audit and audit plans, programs and strategies of the external auditor as well as the internal audit group of the Company, and have discussed the results of their respective audit processes and their findings and assessment of the Company's internal controls and financial reporting systems;

- Reviewed, discussed and recommended for approval of the Board of Directors the Company's 2015 quarterly financial statements and 2014 parent and consolidated financial statements, and the reports required to be submitted to regulatory agencies in connection with such consolidated financial statements, to ensure that the information contained in such statements and reports presents a true and balanced assessment of the Company's financial position and condition and that such statements and reports comply with the regulatory requirements of the Securities and Exchange Commission and the Philippine Stock Exchange, Inc. ("PSE");

- Studied, approved, adopted and implemented the Audit Committee Self-Assessment Form, which is intended to assess compliance of the Committee with its Charter, as well as improve performance of the Committee in accordance with the best practices in corporate governance; and

- Reviewed the adequacy, effectiveness and sufficiency of the Company's financial and internal controls, risk management systems, and control and governance processes, and ensured that, where applicable, necessary measures were taken to address any concern or issue arising therefrom.

The Committee exerted best efforts in fulfilling its responsibilities as set forth in the Manual and Charter and substantially met its mandate in 2015.

Minita V. Chico-Nazario
Chairperson
Independent Director

Leo S. Alvez
Member

Francisco H. Villaruz, Jr
Member - Independent Director

Francisco S. Alejo III
Member

Ferdinand K. Constantino
Member

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Cynthia M. Baroy
Chief Finance Officer

Bernard D. Marquez
President

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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

Branches: Subic • Cebu • Bacolod • Iloilo

REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Ginebra San Miguel Inc.
3rd and 6th Floor, San Miguel Properties Centre
St. Francis Street, Ortigas Center
Mandaluyong City

Report on the Financial Statements

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

R.G. MANABAT & CO.

NOEL A. BALADIANG
Partner
CPA License No. 106166
SEC Accreditation No. 1473-A, Group A, valid until March 30, 2018
Tax Identification No. 223-804-972
BIR Accreditation No. 08-001987-33-2014
Issued October 15, 2014; valid until October 14, 2017
PTR No. 5320737MD
Issued January 4, 2016 at Makati City

March 16, 2016
Makati City, Metro Manila

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2015 AND 2014
(In Thousands)

	Note	2015	2014
ASSETS			
Current Assets			
Cash and cash equivalents	*7, 32, 33*	**P445,801**	P579,917
Trade and other receivables - net	*4, 8, 27, 31, 32, 33*	**2,802,212**	3,921,468
Inventories	*4, 9*	**3,090,271**	2,657,197
Prepaid expenses and other current assets	*10, 32, 33*	**1,589,238**	1,569,041
		7,927,522	8,727,623
Assets held for sale	*6*	**-**	547,706
Total Current Assets		**7,927,522**	9,275,329
Noncurrent Assets			
Investments in joint ventures	*4, 11*	**524,850**	659,488
Property, plant and equipment - net	*4, 12*	**5,574,827**	5,936,826
Goodwill	*4, 13*	**126,863**	226,863
Deferred tax assets	*4, 18*	**810,305**	1,116,010
Other noncurrent assets - net	*4, 14, 27, 32, 33*	**789,023**	825,732
Total Noncurrent Assets		**7,825,868**	8,764,919
		P15,753,390	P18,040,248
LIABILITIES AND EQUITY			
Current Liabilities			
Notes payable	*15, 32, 33*	**P8,406,460**	P10,084,440
Trade and other payables	*16, 27, 32, 33*	**2,236,049**	2,329,193
Income and other taxes payable		**303,068**	308,509
Current maturities of long-term debt - net of debt issue costs	*17, 32, 33*	**114,286**	114,286
Total Current Liabilities		**11,059,863**	12,836,428
Noncurrent Liabilities			
Retirement liabilities	*29*	**361,229**	218,776
Long-term debt - net of current maturities and debt issue costs	*17, 32, 33*	**228,571**	342,857
Total Noncurrent Liabilities		**589,800**	561,633
Total Liabilities		**11,649,663**	13,398,061
Equity	*19*		
Capital stock		**399,063**	399,063
Additional paid-in capital		**2,539,454**	2,539,454
Reserve for retirement plan		**(263,568)**	(135,675)
Cumulative translation adjustments		**(79,011)**	(54,040)
Retained earnings:			
Appropriated		**2,500,000**	2,500,000
Unappropriated		**1,677,762**	2,063,358
Treasury stock		**(2,669,973)**	(2,669,973)
Total Equity		**4,103,727**	4,642,187
		P15,753,390	P18,040,248

See Notes to the Consolidated Financial Statements.

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

	Note	2015	2014	2013
CONTINUING OPERATIONS				
SALES	*27*	P16,554,541	P14,920,577	P13,676,986
COST OF SALES	*20, 34*	12,181,764	10,947,315	10,735,408
GROSS PROFIT		4,372,777	3,973,262	2,941,578
SELLING AND MARKETING EXPENSES	*21*	(1,842,708)	(1,759,410)	(2,116,413)
GENERAL AND ADMINISTRATIVE EXPENSES	*22*	(1,892,963)	(1,662,472)	(1,467,973)
INTEREST EXPENSE AND OTHER FINANCING CHARGES	*15, 17, 25*	(486,159)	(560,313)	(657,899)
EQUITY IN NET LOSSES OF JOINT VENTURES	*11*	(109,667)	(66,265)	(74,763)
INTEREST INCOME	*27*	29,843	22,810	10,944
GAIN (LOSS) ON SALE OF PROPERTY AND EQUIPMENT	*12*	125,589	(89)	512
OTHER INCOME (CHARGES) - Net	*26*	(50,885)	(1,976)	30,332
INCOME (LOSS) BEFORE INCOME TAX		145,827	(54,453)	(1,333,682)
INCOME TAX EXPENSE (BENEFIT)	*18*	509,896	578,055	(352,647)
NET LOSS FROM CONTINUING OPERATIONS		(364,069)	(632,508)	(981,035)
DISCONTINUED OPERATIONS				
LOSS FROM DISCONTINUED OPERATIONS - Net of tax	*6*	(21,527)	(133,699)	(120,160)
NET LOSS		(P385,596)	(P766,207)	(P1,101,195)
Basic and Diluted Loss Per Share	*30*	(P1.52)	(P2.84)	(P3.97)
Basic and Diluted Loss Per Share - Continuing Operations	*30*	(P1.44)	(P2.37)	(P3.55)

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Thousands)

	Note	2015	2014	2013
NET LOSS		**(P385,596)**	(P766,207)	(P1,101,195)
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss				
Share in other comprehensive income (loss) of joint ventures	*11*	**(24,971)**	5,564	6,219
Items that will not be reclassified to profit or loss				
Equity reserve for retirement plan	*29*	**(182,704)**	(69,958)	62,609
Income tax (expense) benefit		**54,811**	20,987	(18,783)
OTHER COMPREHENSIVE INCOME (LOSS) - Net of tax		**(152,864)**	(43,407)	50,045
TOTAL COMPREHENSIVE LOSS - Net of tax		**(P538,460)**	(P809,614)	(P1,051,150)

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Thousands)

		Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
	Note	Common	Preferred				Appropriated	Unappropriated		
As of January 1, 2015		**P345,625**	**P53,438**	**P2,539,454**	**(P135,675)**	**(P54,040)**	**P2,500,000**	**P2,063,358**	**(P2,669,973)**	**P4,642,187**
Share in other comprehensive loss of joint ventures	*11*	-	-	-	-	(24,971)	-	-	-	(24,971)
Equity reserve for retirement plan	*29*	-	-	-	(127,893)	-	-	-	-	(127,893)
Other comprehensive loss		-	-	-	(127,893)	(24,971)	-	-	-	(152,864)
Net loss		-	-	-	-	-	-	(385,596)	-	(385,596)
Total comprehensive loss		-	-	-	(127,893)	(24,971)	-	(385,596)	-	(538,460)
As of December 31, 2015	*19*	**P345,625**	**P53,438**	**P2,539,454**	**(P263,568)**	**(P79,011)**	**P2,500,000**	**P1,677,762**	**(P2,669,973)**	**P4,103,727**
As of January 1, 2014		P345,625	P53,438	P2,539,454	(P86,704)	(P59,604)	P2,500,000	P2,829,565	(P2,579,409)	P5,542,365
Share in other comprehensive income of joint ventures	*11*	-	-	-	-	5,564	-	-	-	5,564
Equity reserve for retirement plan	*29*	-	-	-	(48,971)	-	-	-	-	(48,971)
Other comprehensive income (loss)		-	-	-	(48,971)	5,564	-	-	-	(43,407)
Net loss		-	-	-	-	-	-	(766,207)	-	(766,207)
Total comprehensive income (loss)		-	-	-	(48,971)	5,564	-	(766,207)	-	(809,614)
Cancellation of Employee Stock Purchase Plan reverted to treasury shares		-	-	-	-	-	-	-	(90,564)	(90,564)
As of December 31, 2014	*19*	P345,625	P53,438	P2,539,454	(P135,675)	(P54,040)	P2,500,000	P2,063,358	(P2,669,973)	P4,642,187

Forward

	Note	Capital Stock		Additional Paid-in Capital	Reserve for Retirement Plan	Cumulative Translation Adjustments	Retained Earnings		Treasury Stock	Total
		Common	Preferred				Appropriated	Unappropriated		
As of January 1, 2013		P345,625	P53,438	P2,539,447	(P130,530)	(P65,823)	P2,500,000	P3,930,760	(P2,579,409)	P6,593,508
Share in other comprehensive income of joint ventures	*11*	-	-	-	-	6,219	-	-	-	6,219
Equity reserve for retirement plan	*29*	-	-	-	43,826	-	-	-	-	43,826
Other comprehensive income		-	-	-	43,826	6,219	-	-	-	50,045
Net loss		-	-	-	-	-	-	(1,101,195)	-	(1,101,195)
Total comprehensive income (loss)		-	-	-	43,826	6,219	-	(1,101,195)	-	(1,051,150)
Stock options		-	-	7	-	-	-	-	-	7
As of December 31, 2013	*19*	P345,625	P53,438	P2,539,454	(P86,704)	(P59,604)	P2,500,000	P2,829,565	(P2,579,409)	P5,542,365

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 AND 2013
(In Thousands)

	Note	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income (loss) before income tax from:				
Continuing operations		P145,827	(P54,453)	(P1,333,682)
Discontinued operations	*6*	(30,753)	(190,998)	(171,657)
		115,074	(245,451)	(1,505,339)
Adjustments for:				
Depreciation and amortization	*12, 23*	644,647	720,014	742,214
Interest expense and other financing charges	*15, 17, 25*	486,159	560,313	657,899
Provision for impairment losses	*8, 13, 22, 26*	284,052	81,080	-
Write-down of inventories to net realizable value	*9, 20*	195,683	68,000	-
Equity in net losses of joint ventures	*11*	109,667	66,265	74,763
Retirement expense	*29*	56,826	61,078	66,446
Net unrealized foreign exchange loss (gain)	*26*	2,081	(2,778)	(7,980)
Net derivative loss (gain)	*26*	702	2,459	(1,007)
Interest income	*27*	(29,844)	(22,810)	(10,947)
Loss (gain) on sale of property and equipment	*6, 12*	(162,923)	103	(705)
Operating income before working capital changes		1,702,124	1,288,273	15,344
Decrease (increase) in:				
Trade and other receivables		799,796	216,077	(70,922)
Inventories		(624,127)	797,749	1,974,149
Prepaid expenses and other current assets		31,016	11,098	(193,971)
Increase (decrease) in:				
Trade and other payables		(37,314)	(215,799)	(721,519)
Income and other taxes payable		(2,641)	(9,580)	51,287
Cash generated from operations		1,868,854	2,087,818	1,054,368
Interest received		27,710	22,810	10,947
Income taxes paid		(30,430)	(11,793)	(490)
Contribution to retirement plan	*29*	(97,077)	(68,951)	(97,741)
Net cash flows provided by operating activities		1,769,057	2,029,884	967,084
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	*12*	(232,743)	(212,887)	(256,908)
Decrease (increase) in other noncurrent assets		38,060	(353,769)	(72,330)
Proceeds from sale of NAB assets	*6*	438,283	-	-
Proceeds from sale of property and equipment		139,717	882	590
Net cash flows provided by (used in) investing activities		383,317	(565,774)	(328,648)

Forward

	Note	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Short-term borrowings		P81,992,016	P100,825,924	P101,992,376
Collection of subscription receivables		4,687	9,639	33,448
Payments of:				
Short-term borrowings		(83,669,996)	(100,722,284)	(101,443,776)
Long-term borrowings		(114,286)	(928,571)	(542,857)
Interest and other financing charges		(498,989)	(585,041)	(665,239)
Cash dividends		(23)	(55)	(456)
Net cash flows used in financing activities		(2,286,591)	(1,400,388)	(626,504)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		101	2,883	3,877
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(134,116)	66,605	15,809
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		579,917	513,312	497,503
CASH AND CASH EQUIVALENTS AT END OF YEAR	8	P445,801	P579,917	P513,312

See Notes to the Consolidated Financial Statements.

GINEBRA SAN MIGUEL INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Thousands, Except Percentages, Per Share Data and Number of Shares)

1. Reporting Entity

Ginebra San Miguel Inc. (GSMI or the Company), a subsidiary of San Miguel Corporation (SMC or the Parent Company), was incorporated in the Philippines on July 10, 1987. Top Frontier Investment Holdings, Inc. (Top Frontier) is the ultimate parent company of the Group.

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

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

The Group is primarily engaged in manufacturing and selling of alcoholic and nonalcoholic beverages (NAB).

In 2015, the Group sold its NAB business to San Miguel Brewery Inc. (SMB) (Note 6).

The registered office address of the Company is 3rd and 6th Floor, San Miguel Properties Centre, St. Francis Street, Ortigas Center, Mandaluyong City.

2. Basis of Preparation

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

The consolidated financial statements were approved and authorized for issue in accordance with a resolution by the Board of Directors (BOD) on March 16, 2016.

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation

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

Basis of Consolidation

The consolidated financial statements include the accounts of the Company and the following wholly-owned subsidiaries:

Name of Subsidiary	Country of Incorporation
Distileria Bago, Inc. (DBI)	Philippines
East Pacific Star Bottlers Phils Inc. (EPSBPI)	Philippines
Agricrops Industries, Inc. (AII)	Philippines
Healthy Condiments, Inc. (HCI)	Philippines
Ginebra San Miguel International Ltd. (GSMIL)	British Virgin Islands (BVI)
GSM International Holdings Ltd. (GSMIHL)	BVI
Global Beverage Holdings Ltd. (GBHL)	BVI
Siam Holdings Ltd. (SHL)	BVI

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

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

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

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

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

3. Significant Accounting Policies

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

Adoption of New and Amended Standards and Interpretation
The FRSC approved the adoption of a number of new and amended standards and interpretation as part of PFRS.

Amendments to Standards and Interpretation Adopted in 2015

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

- *Annual Improvements to PFRS Cycles 2010-2012 and 2011-2013* contain 11 changes to nine standards with consequential amendments to other standards and interpretations, of which only the following are applicable to the Group:

  - Meaning of 'Vesting Condition' *(Amendment to PFRS 2, Share-based Payment)*. PFRS 2 has been amended to clarify the definition of 'vesting condition' by separately defining 'performance condition' and 'service condition'. The amendment also clarifies the following: (i) how to distinguish between a market and a non-market performance condition; and (ii) the basis on which a performance condition can be differentiated from a non-vesting condition. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Scope Exclusion for the Formation of Joint Arrangements *(Amendment to PFRS 3, Business Combinations)*. PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in PFRS 11, *Joint Arrangements* - i.e., including joint operations - in the financial statements of the joint arrangements themselves. The adoption of the amendment did not have an effect on the consolidated financial statements.

  - Disclosures on the Aggregation of Operating Segments *(Amendments to PFRS 8, Operating Segments)*. PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: (i) a brief description of the operating segments that have been aggregated; and (ii) the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, the amendments clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities. The adoption of the amendments did not have an effect on the consolidated financial statements.

  - Scope of Portfolio Exception *(Amendment to PFRS 13, Fair Value Measurement)*. The amendment clarifies that the scope of the exception for measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis (portfolio exception) applies to contracts within the scope of PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 9, *Financial Instruments*, regardless of whether they meet the definition of financial assets or financial liabilities under PAS 32, *Financial Instruments: Presentation* - e.g., certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument. The adoption of the amendment did not have an effect on the consolidated financial statements.

- Definition of 'Related Party' *(Amendments to PAS 24, Related Party Disclosures)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g., loans. The adoption of the amendments did not have an effect on the consolidated financial statements.

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

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

New and Amended Standards and Interpretation Not Yet Adopted

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

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

- Disclosure Initiative *(Amendments to PAS 1, Presentation of Financial Statements)*. The amendments clarify the following: (i) the materiality requirements in PAS 1; (ii) that specific line items in the consolidated statements of income, consolidated statements of comprehensive income and the consolidated statements of financial position may be disaggregated; (iii) that entities have flexibility as to the order in which they present the notes to the consolidated financial statements; and (iv) that share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the consolidated statements of financial position, the consolidated statements of income and consolidated statements of comprehensive income. The amendments are required to be applied for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Accounting for Acquisitions of Interests in Joint Operations *(Amendments to PFRS 11).* The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured. The amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. As a result, this places pressure on the judgment applied in making this determination. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- Clarification of Acceptable Methods of Depreciation and Amortization *(Amendments to PAS 16, Property, Plant and Equipment and PAS 38, Intangible Assets).* The amendments to PAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are highly correlated, or when the intangible asset is expressed as a measure of revenue. The amendments to PAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g., changes in sales volumes and prices. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early application is permitted.

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture *(Amendments to PFRS 10, Consolidated Financial Statements and PAS 28, Investments in Associates).* The amendments address an inconsistency in the requirements in PFRS 10 and PAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business whether it is housed in a subsidiary or not. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments are required to be applied prospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Annual Improvements to PFRS Cycles 2012-2014* contain changes to four standards, of which only the Changes in Method for Disposal *(Amendments to PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations)* is applicable to the Group. PFRS 5 is amended to clarify that: (a) if an entity changes the method of disposal of an asset or disposal group - i.e., reclassifies an asset or disposal group from held-for-distribution to owners to held-for-sale, or vice versa, without any time lag - the change in classification is considered a continuation of the original plan of disposal and the entity continues to apply held-for-distribution or held-for-sale accounting. At the time of the change in method, the entity measures the carrying amount of the asset or disposal group and recognizes any write-down (impairment loss) or subsequent increase in the fair value of the asset or disposal group, less costs to sell or distribute; and (b) if an entity determines that an asset or disposal group no longer meets the criteria to be classified as held-for-distribution, then it ceases held-for-distribution accounting in the same way as it would cease held-for-sale accounting. Any change in method of disposal or distribution does not, in itself, extend the period in which a sale has to be completed. The amendments to PFRS 5 are applied prospectively in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* to changes in methods of disposal that occur on or after January 1, 2016.

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

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

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

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

Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

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

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

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

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

The Group's derivative assets are classified under this category (Notes 10, 32 and 33).

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

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

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

The Group's cash and cash equivalents, trade and other receivables and noncurrent receivables and deposits are included under this category (Notes 7, 8, 14, 32 and 33).

Financial Liabilities

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

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

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

The Group's derivative liabilities are classified under this category (Notes 16, 32 and 33).

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

The Group's liabilities arising from its trade or borrowings such as notes payable, trade and other payables and long-term debt are included under this category (Notes 15, 16, 17, 32 and 33).

Derivative Financial Instrument and Hedging

Embedded Derivatives

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

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

(a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;

(b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and

(c) the hybrid or combined instrument is not recognized as at FVPL.

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

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

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

Derecognition of Financial Assets and Financial Liabilities

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

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

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

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

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

Inventories
Finished goods and materials and supplies are valued at the lower of cost and net realizable value (NRV).

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

Finished goods	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; costs are determined using the moving-average method.
Materials and supplies	-	at cost, using the moving-average method.

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

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

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

Assets Held for Sale and Discontinued Operation
The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute, except for some assets which are covered by other standards. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on

pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in the consolidated statements of income. Gains are not recognized in excess of any cumulative impairment losses.

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

Property, plant and equipment once classified as held for sale or distribution are not depreciated.

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

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which: (1) represent a separate major line of business or geographic area of operations; (2) is part of a single coordinated plan to dispose a separate major line of business or graphic area of operations; or (3) is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as "Loss from discontinued operations - net of tax" in the consolidated statements of income.

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

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

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

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

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

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and

- is not larger than an operating segment determined in accordance with PFRS 8.

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

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

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

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

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

The Group's investments in joint ventures are accounted for using the equity method.

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

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

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint ventures, the Group does not recognize further losses, unless it has incurred obligation or made payments on behalf of the joint venture.

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

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

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

Property, Plant and Equipment

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

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

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

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

	Number of Years
Land improvements	5 - 10
Buildings and building improvements	20 - 50
Transportation equipment	5
Machinery and equipment	3 - 40
Furniture, fixtures and other equipment	2 - 5
Leasehold improvements	10 - 30 or term of the lease, whichever is shorter

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

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

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

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

Intangible Assets

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

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

Amortization is computed using the straight-line method over the estimated useful life of four to ten years.

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

Impairment of Non-financial Assets
The carrying amounts of investments in joint ventures, property, plant and equipment, intangible assets, deferred containers and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

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

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

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

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

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

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

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

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

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

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

Provisions

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

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

Capital Stock and Additional Paid-in Capital

Common Shares

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

Preferred Shares

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

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

Additional Paid-in Capital

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

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

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

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

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

Revenue from Rendering of Services
Revenue is recognized upon satisfactory performance of services which is manufacturing and bottling of NAB in favor of the customer where such production inputs are in the name of the customer.

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

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

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

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

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

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

The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price.

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

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

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

Leases

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or

(d) there is a substantial change to the asset.

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

Operating Lease

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

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

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

Research Costs
Research costs are expensed as incurred.

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

Retirement Costs
The Company and DBI have separate funded, noncontributory retirement plans, administered by the respective trustees, covering their respective permanent employees. The cost of providing benefits under the defined benefit retirement plan is actuarially determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Actuarial gains and losses are recognized in full in the period in which they occur in other comprehensive income. Such actuarial gains and losses are also immediately recognized in equity and are not reclassified to profit or loss in subsequent period.

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

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

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

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

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

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

Foreign Currency

Foreign Currency Translations

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

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

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

Foreign Operations

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

Foreign currency differences are recognized in other comprehensive income and presented in the "Cumulative translation adjustments" account in the consolidated statements of changes in equity. When a foreign operation is disposed of such that control or joint control is lost, the cumulative amount in the cumulative translation adjustments related to that foreign operation is reclassified to the consolidated statements of income as part of the gain or loss on disposal.

When the Group disposes of only part of its investment in joint venture that includes a foreign operation while retaining joint control, the relevant proportion of the cumulative amount is reclassified in the consolidated statements of income.

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

The functional currency of GSMIL, GSMIHL, GBHL and SHL is the Philippine peso, while that of Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) is the Thailand Baht (THB). The assets and liabilities of TSML and TGT are translated into the presentation currency of the Company at the rate of exchange ruling at the reporting date and their income and expenses are translated at the average exchange rates for the year.

Taxes

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in shares of stock of subsidiaries and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

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

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

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

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

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

Related Parties

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

Basic and Diluted Earnings Per Common Share (EPS)

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

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

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

Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 5 to the consolidated financial statements. The President (the chief operating decision maker) reviews management reports on a regular basis.

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

Rent income, recognized as part of "Other income (charges)" account in the consolidated statements of income, amounted to P4,733, P8,072 and nil in 2015, 2014 and 2013, respectively (Notes 26 and 28).

Rent expense recognized in the consolidated statements of income amounted to P145,102, P153,827 and P166,032 in 2015, 2014 and 2013, respectively (Notes 6, 20, 21, 22 and 28).

Classification of Joint Arrangements. The Group has determined that it has rights only to the net assets of TSML and TGT based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements as joint ventures (Note 11).

Contingencies. The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 34).

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

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

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

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

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

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

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 11, 12, 13, 29, 32, and 33.

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

The allowance for impairment losses on trade and other receivables and noncurrent receivables and deposits, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position, amounted to P421,168 and P255,204 as of December 31, 2015 and 2014, respectively.

The carrying amounts of trade and other receivables, and noncurrent receivables and deposits amounted to P2,989,550 and P4,111,449 as of December 31, 2015 and 2014, respectively (Notes 8 and 14).

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

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

The accumulated amount of write-down of inventories amounted to P317,669 and P137,904 as of December 31, 2015 and 2014, respectively.

The carrying amount of inventories amounted to P3,090,271 and P2,657,197 as of December 31, 2015 and 2014, respectively (Note 9).

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

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

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P5,882,427 and P6,244,426 as of December 31, 2015 and 2014, respectively. Accumulated depreciation and amortization of property, plant and equipment amounted to P6,510,264 and P6,885,820 as of December 31, 2015 and 2014, respectively (Note 12).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P288,117 and P334,575 as of December 31, 2015 and 2014, respectively (Note 14).

Estimated Useful Life of Intangible Assets. The useful life of intangible assets are assessed at the individual asset level as having either a finite or indefinite life.

Intangible assets, net of accumulated amortization, included as part of "Other noncurrent assets - net" account in the consolidated statements of financial position amounted to P44,450 and P3,790 as of December 31, 2015 and 2014, respectively. Accumulated amortization of intangible assets amounted to P50,609 and P43,316 as of December 31, 2015 and 2014, respectively (Note 14).

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

The carrying amount of goodwill amounted to P126,863 and P226,863 as of December 31, 2015 and 2014, respectively (Note 13).

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

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

The Group recognized goodwill arising from an acquisition in 2012 (Note 13).

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

Deferred tax assets amounted to P810,305 and P1,116,010 as of December 31, 2015 and 2014, respectively (Note 18).

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

Accumulated impairment losses on investment in joint ventures and property, plant and equipment amounted to P393,800 and P307,600 as of December 31, 2015 and 2014, respectively (Notes 11 and 12).

The combined carrying amounts of investments in joint ventures, property, plant and equipment, intangible assets, deferred containers and idle assets amounted to P6,432,244 and P6,934,679 as of December 31, 2015 and 2014, respectively (Notes 11, 12 and 14).

Present Value of Defined Benefit Retirement Obligation. The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 29 to the consolidated financial statements and include discount rate and salary increase rate.

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

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

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

The present value of defined benefit retirement obligation amounted to P1,074,331 and P763,688 as of December 31, 2015 and 2014, respectively (Note 29).

Asset Retirement Obligation. Determining ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined that there are no significant ARO as of December 31, 2015 and 2014. While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

5. Segment Information

Operating Segments

The reporting format of the Group's operating segments is determined based on the Group's risks and rates of return which are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products produced and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The Group is organized into two major operating segments namely alcoholic and NAB.

The alcoholic segment produces and markets alcoholic beverages.

The nonalcoholic segment is involved in the production and marketing of NAB.

For each of the operating segments, the chief operating decision maker reviews internal management reports on at least monthly basis.

Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, trade and other receivables, inventories, assets held for sale and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of trade and other payables and income and other taxes payable. Segment assets and liabilities do not include deferred taxes.

Major Customer

The Group does not have a single external customer from which sales revenue generated amounted to 10% or more of the total revenues of the Group.

The Group's revenue from external customers and noncurrent assets are mainly in the Philippines.

Financial information about operating segments follows:

	For the Years Ended December 31, 2015, 2014 and 2013								
	Alcoholic			Nonalcoholic (Note 6)			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Sales	P16,461,673	P14,875,418	P13,637,680	P165,899	P635,253	P761,396	P16,627,572	P15,510,671	P14,399,076
Result									
Segment result	P711,800	P526,079	(P667,070)	(P140,399)	(P166,075)	(P158,957)	P571,401	P360,004	(P826,027)
Interest expense and other financing charges							(486,159)	(560,313)	(657,899)
Interest income							29,843	22,810	10,944
Equity in net losses of joint ventures							(109,667)	(66,265)	(74,763)
Other income (losses) - net							109,656	(1,687)	42,406
Income tax benefit (expense)							(500,670)	(520,756)	404,144
Net Loss							(P385,596)	(P766,207)	(P1,101,195)
Other Information									
Segment assets	P12,767,507	P13,823,283	P14,554,010	P70,901	P724,931	P1,549,759	P12,838,408	P14,548,214	P16,103,769
Investments in joint ventures							524,850	659,488	720,189
Goodwill							126,863	226,863	226,863
Other noncurrent assets - net							1,452,964	1,489,673	1,018,350
Deferred tax assets							810,305	1,116,010	1,510,886
Consolidated Total Assets							P15,753,390	P18,040,248	P19,580,057
Segment liabilities	P2,550,039	P2,431,314	P2,574,296	P47,239	P116,655	P152,974	P2,597,278	P2,547,969	P2,727,270
Notes payable							8,406,460	10,084,440	9,980,800
Long-term debt - net of debt issue costs							342,857	457,143	1,383,548
Deferred tax liabilities							-	-	210
Income and other taxes payable							303,068	308,509	327,092
Consolidated Total Liabilities							P11,649,663	P13,398,061	P14,418,920
Capital expenditures	P232,742	P183,036	P170,695	P -	P29,851	P86,213	P232,742	P212,887	P256,908
Depreciation and amortization							644,648	720,014	742,214
Noncash items other than depreciation							481,815	146,302	(7,980)

6. Discontinued Operation

On December 5, 2014, the BOD of GSMI authorized the sale and transfer of certain NAB assets of the Company to SMB, a related party, consisting of property, plant and equipment as of December 31, 2014 and inventories as of March 31, 2015 ("Transaction"). As such, the Company reclassified the following NAB assets as held for sale as of December 31, 2014:

	Note	2014
Property and equipment	*12*	P193,941
Finished goods and other inventories		353,765
Assets held for sale		P547,706

In 2015, the Company received a total of P445,642 for the sale of the assets used in its NAB business and executed the following: (a) Deed of Sale of property, plant and equipment ("NAB PPE") executed on April 1, 2015; and (b) Deed of Sale of finished goods inventories and other inventories consisting of containers on hand, raw materials, goods-in-process and packaging materials executed on April 30, 2015. The purchase price is net of adjustments to the price of the NAB PPE after subsequent validation and confirmation by the parties. As a result of the Transaction, the Group recognized a gain amounting to P37,334, included as part of "Gain on sale of property and equipment" account.

Certain accounts in the consolidated statements of income have been reclassified to show the discontinued operations separately from continuing operations. Details of the discontinued operations for 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Sales	**P73,031**	P590,094	P722,090
Cost of sales	**61,967**	413,173	496,920
Gross profit	**11,064**	176,921	225,170
Selling and marketing expenses	**(65,176)**	(323,149)	(362,792)
General and administrative expenses	**(11,593)**	(45,148)	(45,597)
Gain on sale of property and equipment	**37,334**	192	193
Other income (charges) - net	**(2,382)**	186	11,369
Loss before income tax	**(30,753)**	(190,998)	(171,657)
Income tax benefit	**(9,226)**	(57,299)	(51,497)
Net loss	**(P21,527)**	(P133,699)	(P120,160)
Basic and Diluted Loss Per Share	**(P0.08)**	(P0.47)	(P0.42)

The net cash flows used in operating activities of NAB segment amounted to (P3,137), (P2,756) and (P2,084) in 2015, 2014 and 2013, respectively.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	Note	**2015**	2014
Cash in banks and on hand		**P273,301**	P289,731
Short-term investments		**172,500**	290,186
	32, 33	**P445,801**	P579,917

Cash in banks earn interest at the respective bank deposit rates. Short-term investments include demand deposits which can be withdrawn at anytime depending on the immediate cash requirements of the Group and earn interest at the respective short-term investment rates.

8. Trade and Other Receivables

Trade and other receivables consist of:

	Note	2015	2014
Trade		P2,104,005	P2,988,257
Amounts owed by related parties	*27*	820,774	920,268
Non-trade	*31*	201,794	202,217
		3,126,573	4,110,742
Less allowance for impairment losses		324,361	189,274
	32, 33	P2,802,212	P3,921,468

Trade receivables are non-interest bearing and are generally on a 60 to 90-day term.

Non-trade receivables consist of the following: (i) advances to supplier amounting to P1,598 and P1,252 as of December 31, 2015 and 2014, respectively; (ii) subscription receivables amounting to P335 and P4,975 as of December 31, 2015 and 2014, respectively; (iii) receivable from employees amounting to P16,471 and P24,121 as of December 31, 2015 and 2014, respectively; (iv) sale of raw materials amounting to P130,926 and P130,781 as of December 31, 2015 and 2014, respectively; and (v) miscellaneous receivables amounting to P52,464 and P41,088 as of December 31, 2015 and 2014, respectively. These are generally collectible on demand.

The movements in allowance for impairment losses are as follows:

	Note	2015	2014
Balance at beginning of year		P189,274	P108,194
Provision for impairment losses	*22*	152,883	81,080
Amounts written off		(17,796)	-
Balance at end of year		P324,361	P189,274

The aging of trade and other receivables is as follows:

December 31, 2015	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P914,942	P18,385	P30,735	P964,062
Past due:				
Less than 30 days	652,173	6,756	3,547	662,476
30 - 60 days	152,970	7,607	13,640	174,217
61 - 90 days	15,376	208	4,057	19,641
Over 90 days	368,544	168,838	768,795	1,306,177
	P2,104,005	P201,794	P820,774	P3,126,573

December 31, 2014	Trade	Non-trade	Amounts Owed by Related Parties	Total
Current	P1,755,719	P5,195	P17,770	P1,778,684
Past due:				
Less than 30 days	567,311	3,595	18,859	589,765
30 - 60 days	114,324	8,068	10,040	132,432
61 - 90 days	59,355	2,296	22,632	84,283
Over 90 days	491,548	183,063	850,967	1,525,578
	P2,988,257	P202,217	P920,268	P4,110,742

Various collaterals for trade receivables such as bank guarantees, cash bond, time deposit and real estate mortgages are held by the Group for certain credit limits.

The Group believes that the unimpaired amounts that are past due by more than 30 days are still collectible based on historical payment behavior and analyses of the underlying customer credit ratings. There are no significant changes in their credit quality (Note 32).

9. Inventories

Inventories consist of:

	2015	2014
At NRV:		
Finished goods	**P663,037**	P863,623
Materials and supplies	**2,388,643**	1,793,574
Containers	**38,591**	-
	P3,090,271	P2,657,197

The cost of finished goods and materials and supplies amounted to P3,369,349 and P2,795,101 as of December 31, 2015 and 2014, respectively.

The amount of inventories recognized as expense amounted to P10,672,125, P9,439,825 and P9,140,314 in 2015, 2014 and 2013, respectively (Note 20).

The write-down of inventories to net realizable value amounted to P195,683 and P68,000 in 2015 and 2014, respectively (Note 20). The Group has written off inventories amounting to P15,918 in 2015.

The accumulated amount of write-down of inventories amounted to P317,669 and P137,904 as of December 31, 2015 and 2014, respectively.

10. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	Note	2015	2014
Prepaid taxes		**P1,538,778**	P1,517,112
Derivative assets	*32, 33*	**430**	52
Others		**50,030**	51,877
		P1,589,238	P1,569,041

Prepaid taxes represent prepayments of excise taxes on alcohol and income taxes.

11. Investments in Joint Ventures

a. TSML

GSMI, through GSMIL, has an existing joint venture with Thai Life Group of Companies (Thai Life) covering the ownership and operations of TSML. TSML is a limited company organized under the laws of Thailand in which GSMIL owns 40% ownership interest. TSML holds a license in Thailand to engage in the business of manufacturing alcohol and manufacturing, selling and distributing brandy, wine and distilled spirits products both for domestic and export markets.

Through the acquisition by SHL of the 49% ownership interest in Siam Wine Liquor Co., Ltd. (SWL) and SWL's acquisition of shares representing 10% ownership of the outstanding capital stock of TSML, the Group's share in TSML increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL, which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TSML, as included in its own financial statements, and the reconciliation with the carrying amount of the investment are set out below:

	2015	2014	2013
Current assets (including cash and cash equivalents - 2015: P199,953, 2014: P103,873 and 2013: P141,673)	P1,357,379	P1,282,143	P1,319,308
Noncurrent assets	1,349,762	1,510,106	1,612,052
Current liabilities (including current financial liabilities excluding trade and other payables and provisions - 2013: P660,479)	(105,528)	(29,659)	(718,254)
Noncurrent liabilities (including noncurrent financial liabilities excluding trade and other payables and provisions - 2015: P1,240,700, 2014: P1,292,950 and 2013: P607,815)	(1,240,700)	(1,293,798)	(609,122)
Net assets	1,360,913	1,468,792	1,603,984
Percentage of ownership	44.9%	44.9%	44.9%
Amount of investment in joint venture	611,050	659,488	720,189
Less: Allowance for impairment loss	86,200	-	-
Carrying amount of investment in joint venture	P524,850	P659,488	P720,189

	2015	2014	2013
Sales	P1,195,033	P847,596	P1,124,174
Cost of sales (including depreciation - 2015: P111,751, 2014: P114,843 and 2013: P115,788)	(1,120,469)	(866,195)	(1,171,279)
Operating expenses (including depreciation - 2015: P5,606, 2014: P4,630 and 2013: P4,783)	(71,435)	(72,070)	(101,628)
Other charges (including interest expense - 2015: P58,494, 2014: P58,054 and 2013: P47,492)	(55,393)	(56,914)	(17,777)
Net loss	(52,264)	(147,583)	(166,510)
Percentage of ownership	44.9%	44.9%	44.9%
Share in net loss	(23,467)	(66,265)	(74,763)
Share in other comprehensive income (loss)	(24,971)	5,564	6,219
Total comprehensive loss	(P48,438)	(P60,701)	(P68,544)

The recoverable amount of investment in TSML has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections is 9% in 2015. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium.

As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P86,200 in 2015, included as part of "Equity in Net Losses of Joint Ventures" account, in the consolidated statements of income. The recoverable amount of investment in TSML has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

b. TGT

GSMI, through GSMIHL, also has an existing 40% ownership interest in TGT, which was formed as another joint venture with Thai Life. TGT functions as the selling and distribution arm of TSML.

Through the acquisition of SWL of the 10% ownership interest in TGT, the Group's share in TGT increased from 40% to 44.9%. The acquisition was funded through advances made by GSMI to GBHL which has an existing loan agreement with SWL for the same amount.

Summarized financial information of TGT, as included in its own financial statements, and the reconciliation with the carrying amount of the investment are set out below:

	2015	2014	2013
Current assets (including cash and cash equivalents - 2015: P26,126, 2014: P80,571 and 2013: P61,904)	**P40,096**	P95,262	P105,156
Noncurrent assets	**5,676**	5,634	5,781
Current liabilities	**(785,937)**	(857,947)	(838,907)
Noncurrent liabilities (including noncurrent financial liabilities excluding trade and other payables and provisions - 2015: P299, 2014: P136 and 2013: P219)	**(299)**	(136)	(219)
Net liabilities	**(740,464)**	(757,187)	(728,189)
Percentage of ownership	**44.9%**	44.9%	44.9%
Carrying amount of investment in joint venture	**(P332,468)**	(P339,977)	(P326,957)

	2015	2014	2013
Sales	**P77,141**	P174,908	P268,140
Cost of sales	**(68,359)**	(157,805)	(237,871)
Operating expenses (including depreciation - 2015: P151, 2014: P158 and 2013: P229)	**(23,986)**	(41,314)	(110,610)
Other income	**850**	695	1,223
Net loss	**(14,354)**	(23,516)	(79,118)
Percentage of ownership	**44.9%**	44.9%	44.9%
Share in net loss	**(6,445)**	(10,559)	(35,524)
Share in other comprehensive income (loss)	**(13,954)**	2,463	887
Total comprehensive loss	**(P20,399)**	(P8,096)	(P34,637)

The Group discontinued recognizing its share in the net liabilities of TGT since the cumulative losses including the share in other comprehensive loss already exceed the cost of investment. If TGT reports profits subsequently, the Group resumes recognizing its share of those profits after its share of the profits equals the share of net losses not recognized. Unrecognized share in net liabilities amounted to P332,468 and P339,977 as of December 31, 2015 and 2014, respectively.

12. Property, Plant and Equipment

Property, plant and equipment consist of:

	Land and Land Improvements	Buildings and Building Improvements	Transportation Equipment	Machinery and Equipment	Furniture, Fixtures and Other Equipment	Leasehold Improvements	Capital Projects in Progress	Total
Cost								
January 1, 2014	P727,692	P2,510,685	P248,525	P8,682,231	P913,482	P141,389	P266,683	P13,490,687
Additions	-	10	2,242	75,236	86	-	135,313	212,887
Disposals and reclassifications	55	16,451	(19,800)	102,262	66,669	263	(320,084)	(154,184)
Reclassification to assets held for sale	-	-	(18,060)	(297,544)	(103,540)	-	-	(419,144)
December 31, 2014	727,747	2,527,146	212,907	8,562,185	876,697	141,652	81,912	13,130,246
Additions	11	-	-	122	2,274	-	230,336	232,743
Disposals and reclassifications	33,487	(663,489)	9,787	(256,968)	39,609	(1,661)	(131,063)	(970,298)
December 31, 2015	**761,245**	**1,863,657**	**222,694**	**8,305,339**	**918,580**	**139,991**	**181,185**	**12,392,691**
Accumulated Depreciation and Amortization								
January 1, 2014	173,084	841,170	174,619	4,735,729	701,954	18,587	-	6,645,143
Depreciation and amortization	3,969	53,833	33,076	430,437	88,082	6,668	-	616,065
Disposals and reclassifications	16	88	(24,853)	(12,527)	(112,926)	17	-	(150,185)
Reclassification to assets held for sale	-	-	(9,679)	(171,822)	(43,702)	-	-	(225,203)
December 31, 2014	177,069	895,091	173,163	4,981,817	633,408	25,272	-	6,885,820
Depreciation and amortization	4,168	56,682	22,362	392,843	85,906	5,648	-	567,609
Disposals and reclassifications	-	(43,818)	616	(902,519)	2,645	(89)	-	(943,165)
December 31, 2015	**181,237**	**907,955**	**196,141**	**4,472,141**	**721,959**	**30,831**	**-**	**6,510,264**
Accumulated Impairment Losses								
December 31, 2014 and 2015	-	-	-	307,600	-	-	-	307,600
Carrying Amount								
December 31, 2014	P550,678	P1,632,055	P39,744	P3,272,768	P243,289	P116,380	P81,912	P5,936,826
December 31, 2015	**P580,008**	**P955,702**	**P26,553**	**P3,525,598**	**P196,621**	**P109,160**	**P181,185**	**P5,574,827**

The carrying amounts of unutilized machinery and equipment, net of accumulated impairment losses of P307,600 in 2015 and 2014, amounted to P55,764 and P68,630 as of December 31, 2015 and 2014, respectively.

The recoverable amount was determined by an independent property appraiser having appropriate recognized professional qualifications and recent experience in the category of the property being valued. The fair value of the property being appraised was determined using the replacement cost model. This approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices of materials, labor, contractor's overhead, profit and fees, and all other attendant's costs associated with its acquisition and installation in place. Adjustment is then made for accrued depreciation as evidenced by the observed condition and present and prospective serviceability in comparison with the new similar units.

The fair value of the distillation equipment has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation techniques.

In 2015, the Group sold certain properties located in Calumpit, Bulacan and Tagoloan, Misamis Oriental for P139,658. The Group recognized a gain amounting to P125,531, included as part of "Gain on sale of property and equipment" account in the 2015 consolidated statements of income.

Depreciation, amortization and impairment losses recognized in the consolidated statements of income amounted to P567,609, P616,065 and P662,810 in 2015, 2014 and 2013, respectively. These amounts include annual amortization of capitalized interest amounting to P12,072, P11,841 and P11,637 in 2015, 2014 and 2013, respectively.

Interest amounting to P2,471, P2,310 and P2,042 were capitalized to machinery and equipment in 2015, 2014 and 2013, respectively (Note 25). The capitalization rates used to determine the amount of interest eligible for capitalization were 4.35%, 4.88% and 5.69% in 2015, 2014 and 2013, respectively. The unamortized capitalized borrowing costs amounted to P53,636 and P63,237 as of December 31, 2015 and 2014, respectively.

13. Goodwill

In 2012, GSMI acquired 100% of the outstanding capital stock of EPSBPI for P200,000. EPSBPI, which is considered a CGU, is a company primarily engaged in the manufacturing and bottling of alcoholic beverages and NAB. The acquisition resulted in the recognition of goodwill amounting to P226,863.

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rates applied to after tax cash flow projections ranged from 9% to 12% in 2015 and 2014. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. As a result of decline in operations resulting in lower sales forecast compared with previous years, the Group recognized impairment loss amounting to P100,000 in 2015 (Note 26). The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique (Note 4).

The calculations of value in use are most sensitive to the following assumptions:

- *Gross Margins.* Gross margins are based on average values achieved in the period immediately before the budget period. These are increases over the budget period for anticipated efficiency improvements. Values assigned to key assumptions reflect past experience, except for efficiency improvement.

- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.

- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

14. Other Noncurrent Assets

Other noncurrent assets consist of:

	Note	2015	2014
Deferred containers - net		P288,117	P334,575
Noncurrent receivables and deposits - net	*27, 32, 33*	187,338	189,981
Intangible assets		44,450	3,790
Others		269,118	297,386
		P789,023	P825,732

Noncurrent receivables and deposits - net include: (i) trade receivable referred to legal and receivables from terminated dealers amounting to P33,594 and P35,358 as of December 31, 2015 and 2014, respectively, net of allowance for impairment losses amounting to P96,807 and P65,930 as of December 31, 2015 and 2014, respectively. Provision for impairment losses amounted to P31,169 and nil in 2015 and 2014, respectively (Note 22). The Group has written-off receivables amounting to P292 in 2015; and (ii) security deposits to related parties amounting to P485 as of December 31, 2015 and 2014 (Note 27).

The movements in intangible assets are as follows:

	2015	2014
Cost		
Balance at beginning of year	P47,106	P42,050
Reclassification	47,953	5,056
Balance at end of year	95,059	47,106
Accumulated Amortization		
Balance at beginning of year	43,316	42,050
Amortization	7,293	1,266
Balance at end of year	50,609	43,316
Carrying Amount	P44,450	P3,790

Amortization expense, included as part of "General and administrative expenses" account in the consolidated statements of income, amounted to P7,293 and P1,266 in 2015 and 2014, respectively (Note 22).

Others include: (i) input taxes on the acquisition of capitalizable assets amounting to P4,972 and P33,240 as of December 31, 2015 and 2014, respectively; and (ii) advances for a project that is temporarily put on hold amounting to P264,146 as of December 31, 2015 and 2014, respectively.

15. Notes Payable

This account consists of unsecured short-term peso-denominated borrowings obtained from local banks for working capital requirements. These loans mature in three months or less and bear annual interest rates ranging from 2% to 4.75% and 3% to 5.75% in 2015 and 2014, respectively.

Interest expense and other financing charges recognized in the consolidated statements of income amounted to P471,423, P495,963 and P556,641 in 2015, 2014 and 2013, respectively (Note 25).

The Group's exposure to interest rate and liquidity risks are discussed in Note 32.

16. Trade and Other Payables

Trade and other payables consist of:

	Note	2015	2014
Trade		**P1,706,869**	P1,679,576
Amounts owed to related parties	*27*	**529,052**	649,257
Derivative liabilities	*32, 33*	**128**	360
	32, 33	**P2,236,049**	P2,329,193

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

17. Long-term Debt

Long-term debt consists of:

	Note	2015	2014
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018		**P342,857**	P457,143
Less current maturities		**114,286**	114,286
	32, 33	**P228,571**	P342,857

GSMI, through EPSBPI, has an unsecured, long-term interest bearing loan with a local bank amounting to P800,000. The proceeds of the loan was used to finance the construction of the bottling facilities in Ligao, Albay and Cauayan, Isabela.

The loan is payable up to nine years from and after the initial date of borrowing, but in no case later than September 30, 2018 (expiry date of memorandum of agreement), inclusive of a grace period of two years on principal repayment. The loan is payable in equal quarterly installments on the Principal Repayment Dates which commenced on February 18, 2012.

EPSBPI agrees to pay interest on the outstanding principal amount of borrowings on each interest payment date ending per annum equivalent to the higher of benchmark rate plus a spread of one percent or the overnight rate. Benchmark rate is the three-month PDST-F rate as displayed in the Philippine Dealing and Exchange Corporation page on the first day of each interest period. While overnight rate means the Bangko Sentral ng Pilipinas overnight reverse repo rate on interest rate settling date.

The movement in debt issue costs is as follows:

	2014
Balance at beginning of year	P2,166
Amortization	(2,166)
Balance at end of year	P -

Interest expense on long-term borrowings amounted to P17,207, P66,660 and P103,300 in 2015, 2014 and 2013, respectively.

Repayment Schedule
The annual maturities are as follows:

Year	Gross Amount
2016	P114,286
2017	114,286
2018	114,285
	P342,857

Contractual terms of the Group's interest-bearing loans and exposure to interest rate and liquidity risks are discussed in Note 32.

18. Income Taxes

Deferred tax assets arise from the following:

	2015	2014
Items recognized in profit or loss		
NOLCO	**P157,639**	P673,367
MCIT	**165,094**	78,458
Provision for impairment losses	**251,198**	171,409
Allowance for write-down of inventories	**95,301**	41,371
Past service costs	**30,472**	19,890
Various accruals	**17,788**	85,594
Unrealized foreign exchange loss (gain) - net	**625**	(833)
Derivative liabilities (assets) - net	**(90)**	93
Net defined benefit retirement obligation (surplus)	**(4,589)**	7,486
Unamortized capitalized borrowing costs	**(16,090)**	(18,971)
	697,348	1,057,864
Items recognized directly in other comprehensive income		
Equity reserve for retirement plan	**112,957**	58,146
	P810,305	P1,116,010

The movements of the net deferred tax assets are accounted for as follows:

	2015	2014
Amount charged to profit or loss	(P360,516)	(P415,653)
Amount charged to other comprehensive income	54,811	20,987
	(P305,705)	(P394,666)

As of December 31, 2015, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

Year Incurred/Paid	Carryforward Benefits Up To	NOLCO	MCIT
2013	December 31, 2016	P1,508,367	P57,903
2014	December 31, 2017	18,085	78,128
2015	December 31, 2018	9,926	88,227
		P1,536,378	P224,258

As of December 31, 2015, deferred tax asset has not been recognized in respect of NOLCO and MCIT amounting to P1,010,915 and P59,164, respectively, as management believes it is not probable that future taxable income will be available against which the Group can utilize the benefit therefrom.

The components of income tax expense (benefit) from continuing operations are shown below:

	2015	2014	2013
Current	P149,380	P105,102	P109,999
Deferred	360,516	472,953	(462,646)
	P509,896	P578,055	(P352,647)

The income tax expense from continuing operations exclude the Group's share of the income tax benefit from the discontinued operation of P9,226, P57,299 and P51,497 in 2015, 2014 and 2013, respectively, which have been included in loss from discontinued operation, net of tax (Note 6).

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

	2015	2014	2013
Statutory income tax rate	30.00%	30.00%	30.00%
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	(0.82%)	(0.12%)	(0.10%)
Others	320.48%	(1,091.45%)	(3.46%)
Effective income tax rate	349.66%	(1,061.57%)	26.44%

19. Equity

a. *Capital Stock*

Common Shares

The Company has 460,000,000 authorized common shares with par value of P1 per share and offer price of P12.28 and P15.88 as of December 31, 2015 and 2014, respectively.

The holders of common shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company has a total of 728 and 738 stockholders as of December 31, 2015 and 2014, respectively.

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

	2015	2014
Issued and outstanding shares at beginning of year	**345,625,332**	345,625,332
Less treasury shares	**59,297,491**	59,297,491
Issued and outstanding shares at end of year	**286,327,841**	286,327,841

Preferred Shares

The Company has 100,000,000 authorized preferred shares with par value of P1 per share as of December 31, 2015 and 2014.

The holders of preferred shares are entitled to participate and receive annual dividends of P1.50 per share which shall be cumulative and payable in arrears on December 31 of each year. In addition, the holders of preferred shares shall receive a special annual dividend equal to the excess of the aggregate dividends paid or to be paid to common shareholders over P1.50 per preferred share per annum. The holders of preferred shares are entitled to vote in the same manner as the holders of common shares.

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

	2015	2014
Issued and outstanding shares at beginning of year	**53,437,585**	53,437,585
Less treasury shares	**20,650,700**	20,650,700
Issued and outstanding shares at end of year	**32,786,885**	32,786,885

b. *Treasury Shares*

Treasury shares consist of:

	2015	2014	2013
Common	**59,297,491**	59,297,491	55,549,391
Preferred	**20,650,700**	20,650,700	20,650,700
	79,948,191	79,948,191	76,200,091

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

	2015	2014	2013
Number of shares at beginning of year	59,297,491	55,549,391	55,549,391
Cancellation of ESPP	-	3,748,100	-
	59,297,491	59,297,491	55,549,391

c. *Unappropriated Retained Earnings*

No dividends were declared in 2015 and 2014.

The unappropriated retained earnings of the Group includes the accumulated earnings in subsidiaries and equity in net losses of joint ventures amounting to P254,350, P272,329 and P307,296 in 2015, 2014 and 2013, respectively. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Group is restricted in the amount of P2,669,973 in 2015 and 2014 and P2,579,409 in 2013, representing the cost of common and preferred shares held in treasury.

d. *Appropriated Retained Earnings*

As of December 31, 2015 and 2014, the Company's BOD approved the appropriation of retained earnings amounting to P2,500,000 for the purpose of capital investment for the expansion of the plant facilities, including but not limited to equipment rehabilitation, to accommodate new product line and the increase in volume requirements in the next three to five years.

20. Cost of Sales

Cost of sales consist of:

	Note	2015	2014	2013
Inventories	*9*	P10,672,125	P9,439,825	P9,140,314
Utilities and supplies		487,832	615,674	538,438
Depreciation and amortization	*12, 23*	302,378	300,250	430,521
Write-down of inventories to net realizable value	*9*	195,683	68,000	-
Outside services	*34*	174,084	223,614	205,385
Personnel	*24, 29*	156,404	145,209	179,445
Repairs and maintenance		153,173	96,480	105,573
Rent	*28*	31,759	35,956	83,878
Insurance		6,668	4,203	4,428
Others		1,658	18,104	47,426
		P12,181,764	P10,947,315	P10,735,408

21. Selling and Marketing Expenses

Selling and marketing expenses consist of:

	Note	2015	2014	2013
Advertising and promotions		**P802,064**	P727,348	P943,373
Delivery and marketing		**493,705**	544,831	531,082
Personnel	*24, 29*	**212,841**	181,475	203,473
Outside services		**88,467**	94,198	121,335
Rent	*28*	**69,737**	58,258	61,206
Utilities and supplies		**39,905**	54,205	60,461
Depreciation and amortization	*12, 23*	**40,886**	28,265	49,916
Repairs and maintenance		**31,410**	24,078	25,067
Travel and transportation		**27,178**	19,863	26,016
Corporate special program		**24,943**	15,859	84,227
Others		**11,572**	11,030	10,257
		P1,842,708	P1,759,410	P2,116,413

22. General and Administrative Expenses

General and administrative expenses consist of:

	Note	2015	2014	2013
Personnel	*24, 29*	**P648,612**	P571,237	P543,938
Depreciation and amortization	*12, 14, 23*	**289,791**	296,933	188,144
Outside services	*27*	**273,961**	272,915	367,706
Taxes and licenses		**184,596**	146,571	108,056
Provision for impairment losses	*8, 14*	**184,052**	81,080	-
Insurance		**82,499**	84,035	70,329
Repairs and maintenance		**56,755**	25,916	31,195
Rent	*28*	**40,440**	52,255	16,870
Corporate special program		**35,274**	37,163	71,198
Utilities and supplies		**34,974**	34,896	31,523
Research		**33,142**	30,443	15,726
Travel and transportation		**22,639**	19,947	20,903
Others		**6,228**	9,081	2,385
		P1,892,963	P1,662,472	P1,467,973

23. Depreciation and Amortization

Depreciation and amortization from continuing operations consist of:

	Note	2015	2014	2013
Property, plant and equipment	*12*	**P567,609**	P566,648	P634,224
Pallets		**58,153**	45,982	24,265
Others	*14*	**7,293**	12,818	10,092
		P633,055	P625,448	P668,581

Depreciation and amortization from continuing operations are distributed as follows:

	Note	2015	2014	2013
Cost of sales	*20*	P302,378	P300,250	P430,521
Selling and marketing expenses	*21*	40,886	28,265	49,916
General and administrative expenses	*22*	289,791	296,933	188,144
		P633,055	P625,448	P668,581

24. Personnel Expenses

Personnel expenses from continuing operations consist of:

	Note	2015	2014	2013
Salaries and wages		P664,133	P587,382	P603,306
Employee benefits		297,488	252,043	259,859
Retirement costs	*29*	56,236	58,496	63,691
		P1,017,857	P897,921	P926,856

Personnel expenses from continuing operations are distributed as follows:

	Note	2015	2014	2013
Cost of sales	*20*	P156,404	P145,209	P179,445
Selling and marketing expenses	*21*	212,841	181,475	203,473
General and administrative expenses	*22*	648,612	571,237	543,938
		P1,017,857	P897,921	P926,856

25. Interest Expense and Other Financing Charges

Interest expense and other financing charges consist of:

	Note	2015	2014	2013
Interest on notes payable	*15*	P471,423	P495,963	P556,641
Interest on long-term debt		17,207	66,660	103,300
Capitalized borrowing costs	*12*	(2,471)	(2,310)	(2,042)
		P486,159	P560,313	P657,899

26. Other Income (Charges)

Other income (charges) consist of:

	Note	2015	2014	2013
Gain on sale of scrap materials		P24,742	P29,360	P27,864
Tolling fees		24,942	10,270	3,965
Rent income	*28*	4,733	8,072	-
Loss on sale of molasses and alcohol		-	(46,343)	-
Gain (loss) on derivatives	*33*	(702)	(2,459)	1,007
Foreign exchange gain (loss)		(2,081)	2,778	3,441
Provision for impairment loss	*13*	(100,000)	-	-
Others		(2,519)	(3,654)	(5,945)
		(P50,885)	(P1,976)	P30,332

27. Related Party Disclosures

The Group purchase products and services from and sells products to related parties. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

The following are the transactions with related parties and the outstanding balances as of December 31:

	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Parent Company	2015	P8,246	P264,803	P4,905	P40,031	On demand;	Unsecured;
	2014	10,913	263,184	23,399	95,998	non-interest	no impairment
	2013	20,805	193,568	31,487	123,911	Bearing	
Under Common Control	2015	576,005	3,422,989	151,928	489,021	On demand;	Unsecured;
	2014	249,456	3,088,207	233,413	553,259	non-interest	no impairment
	2013	480,192	2,817,997	211,071	694,387	Bearing	
Joint Venture	2015	-	-	663,941	-	On demand;	Unsecured;
	2014	-	-	663,941	-	Interest	no impairment
	2013	-	-	316,778	-	bearing	
Associates of the Parent Company	2015	-	-	-	887,200	3 months;	Unsecured
	2014	-	-	-	3,047,665	Interest	
	2013	-	-	-	2,177,200	Bearing	
	2015	P584,251	P3,687,792	P820,774	P1,416,252		
	2014	P260,369	P3,351,391	P920,753	P3,696,922		
	2013	P500,997	P3,011,565	P559,336	P2,995,498		

a. The Group, in the normal course of business, has significant transactions with related parties pertaining to purchases of containers, bottles and other packaging materials and sale of liquor and by-products. The sales to and purchases from related parties are made at normal market prices. There have been no guarantees provided or received for any amounts owed by and owed to related parties.

b. The Group has entered into various lease agreements with related parties as a lessor and lessee (Note 28).

c. Management fees amounting to P189,343, P181,825 and P170,567 in 2015, 2014 and 2013, respectively, are included in "Outside services" account under "General and administrative expenses" (Note 22).

d. Security deposits amounted to P485 as of December 31, 2015 and 2014, respectively, are included as part of "Noncurrent receivables and deposits - net" under "Other noncurrent assets - net" account in the consolidated statements of financial position (Note 14).

e. TSML executed various promissory notes in favor of the Company. The details of which are as follows:

- Principal sum of THB250,000,000 together with interest of 5.5% per annum, which interest shall accrue on March 13, 2014.
- Principal sum of THB50,000,000 together with interest of 5.0% per annum, which interest shall accrue on September 2, 2013.
- Principal sum of THB25,000,000 together with interest of 5.0% per annum, which interest shall accrue on June 14, 2013.
- Principal sum of THB75,000,000 together with interest of 3.0% per annum, which interest shall accrue on September 6, 2011.
- Principal sum of THB75,000,000 together with interest of 3.0% per annum, which interest shall accrue on April 7, 2011.

The principal sum is due and payable in full on demand of the Company and the stipulated interest shall be payable every three months.

The receivables from TSML are included as part of "Amounts owed by related parties" under "Trade and other receivables - net" account in the consolidated statements of financial position (Note 8).

Interest income from amounts owed by TSML, recognized in the consolidated statements of income, amounted to P26,650, P19,796 and P6,658 in 2015, 2014 and 2013, respectively.

f. Amounts owed to Bank of Commerce are included in "Notes payable" account in the consolidated statements of financial position (Note 15).

g. The compensation of key management personnel of the Group, by benefit type, follows:

	Note	2015	2014	2013
Short-term employee benefits		**P43,401**	P35,874	P31,689
Retirement costs	*29*	**6,540**	6,215	5,283
Share-based payments	*31*	**-**	-	371
		P49,941	P42,089	P37,343

28. Leasing Agreements

Operating Leases

Group as Lessor

a. The Company has an existing lease agreement with a related party for the lease of a parcel of land in Cabuyao, Laguna for a period of three years from February 1, 2013 to January 31, 2016. Rental fee amounted to P194 per month.

b. The Company also has another lease agreement with a related party for the lease of a parcel of land in Sta. Barbara, Pangasinan for a period of three years from July 1, 2013 to June 30, 2016. Rental fee amounted to P200 per month.

Rent income recognized in the consolidated statements of income amounted to P4,733, P8,072 and nil in 2015, 2014 and 2013, respectively (Note 26).

Group as Lessee

a. The Company leases various warehouse facilities under operating leases. These leases typically run for a period of one year. The Company has the option to renew the lease after the expiration of the lease term.

b. EPSBPI has various lease agreements with related parties for the lease of parcels of land located in Ligao City, Albay and Cauayan, Isabela for a period ranging from five to ten years and renewable upon mutual agreement of both parties. Rental fees are payable monthly and subject to 5% escalation every year.

c. In 2011, EPSBPI entered into lease agreements to use various equipment for a period of three years with the option to renew after expiration of the lease term. Rental fees are payable on a monthly basis. In 2014, the lease agreements were extended for another period ranging from nine months to one year.

Non-cancellable lease payables are as follows:

	2015	2014
Within one year	P4,234	P4,032
After one year but not more than five years	7,420	11,654
	P11,654	P15,686

Rent expense recognized in the consolidated statements of income amounted to P145,102, P153,827 and P166,032 in 2015, 2014 and 2013, respectively (Notes 6, 20, 21 and 22).

29. Retirement Plans

The Company and DBI have funded, noncontributory, defined benefit retirement plans (collectively, the Retirement Plans) covering all of their permanent employees. The Retirement Plans of the Group pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 31, 2015. Valuations are obtained on a periodic basis.

The Retirement Plans are registered with the Bureau of Internal Revenue as tax-qualified plans under Republic Act No. 4917, as amended. The control and administration of the Group's Retirement Plans are vested in the Board of Trustees of each Retirement Plan. The Board of Trustees of the Group's Retirement Plans exercises voting rights over the shares and approve material transactions. The Retirement Plans' accounting and administrative functions are undertaken by the Retirement Funds Office of the Group.

The following table shows a reconciliation of the net defined benefit retirement liability and its components:

	Fair Value of Plan Assets		Present Value of Defined Benefit Obligation		Net Defined Benefit Retirement Liability	
	2015	2014	2015	2014	2015	2014
Balance at beginning of year	**P544,912**	P687,741	**(P763,688)**	(P844,432)	**(P218,776)**	(P156,691)
Recognized in profit or loss						
Service costs	-	-	**(46,097)**	(51,375)	**(46,097)**	(51,375)
Interest expense	-	-	**(36,313)**	(37,888)	**(36,313)**	(37,888)
Interest income	**25,584**	28,185	-	-	**25,584**	28,185
	25,584	28,185	**(82,410)**	(89,263)	**(56,826)**	(61,078)
Recognized in other comprehensive income						
Remeasurements:						
Actuarial gains (losses) arising from:						
Experience adjustments	-	-	**(123,240)**	(36,756)	**(123,240)**	(36,756)
Changes in financial assumptions	-	-	**4,073**	2,910	**4,073**	2,910
Changes in demographic assumptions	-	-	-	16,416	-	16,416
Return on plan assets excluding interest	**(63,537)**	(52,528)	-	-	**(63,537)**	(52,528)
	(63,537)	(52,528)	**(119,167)**	(17,430)	**(182,704)**	(69,958)
Others						
Contributions	**97,077**	68,951	-	-	**97,077**	68,951
Benefits paid	**109,066**	(187,437)	**(109,066)**	187,437	-	-
	206,143	(118,486)	**(109,066)**	187,437	**97,077**	68,951
Balance at end of year	**P713,102**	P544,912	**P1,074,331)**	(P763,688)	**(P361,229)**	(P218,776)

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of unfunded past service liability.

Retirement costs recognized in the consolidated statements of income by GSMI amounted to P52,143, P56,697 and P63,010 in 2015, 2014 and 2013, respectively, while those charged by DBI amounted to P4,683, P4,381 and P3,436 in 2015, 2014 and 2013, respectively.

The retirement costs are recognized in the following line items:

	Note	2015	2014	2013
Cost of sales	*20*	**P8,048**	P8,173	P17,039
Selling and marketing expenses	*21*	**10,987**	12,494	13,462
General and administrative expenses	*22*	**37,791**	40,411	35,945
		P56,826	P61,078	P66,446

Retirement liabilities recognized by GSMI amounted to P342,617 and P203,533 as of December 31, 2015 and 2014, respectively, while those recognized by DBI amounted to P18,612 and P15,243 as of December 31, 2015 and 2014, respectively.

The carrying amounts of the Group's retirement plan approximate fair values as of December 31, 2015 and 2014.

The Group's plan assets consist of the following:

	In Percentages	
	2015	2014
Fixed income portfolio	42	38
Marketable securities	28	29
Stock trading portfolio	26	30
Others	4	3
	100	100

Investments in Marketable Securities

The plan assets include 11,443,321 and 9,943,321 common shares of the Company with fair market value per share of P12.28 and P15.88 as of December 31, 2015 and 2014, respectively.

The fair market value per share of the above marketable securities is determined based on quoted market prices in active markets as of the reporting date (Note 4).

The Group's Retirement Plans recognized losses on the investment in marketable securities of SMC and its subsidiaries amounting to P36,180 and P70,796 in 2015 and 2014, respectively.

There was no dividend income recognized in 2015 and 2014.

Investments in Pooled Funds

Investments in pooled funds were established mainly to put together a portion of the funds of the Retirement Plans of the Group to be able to draw, negotiate and obtain the best terms and financial deals for the investments resulting from big volume transactions.

The Board of Trustees approved the percentage of asset to be allocated to fixed income instruments and equities. The Retirement Plans have set maximum exposure limits for each type of permissible investments in marketable securities and deposit instruments. The Board of Trustees may, from time to time, in the exercise of its reasonable discretion and taking into account existing investment opportunities, review and revise such allocation and limits.

Approximately 6.63% and 7.93% of the Retirement Plans investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2015 and 2014, respectively.

Approximately 10.84% and 10.06% of the Retirement Plans investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2015 and 2014, respectively.

Others

Others include the Retirement Plans' cash and cash equivalents and receivables which earn interest.

The Retirement Plans Trustee has no specific matching strategy between the plan assets and the plan liabilities.

The Group is not required to pre-fund the future defined benefits payable under the Retirement Plans before they become due. For this reason, the amount and timing of contributions to the Retirement Plans are at the Group's discretion. However, in the event a benefit claim arises and the Retirement Plans are insufficient to pay the claim, the shortfall will then be due and payable from the Group to the Retirement Plans. The Group is not expected to contribute to its defined benefit retirement plan in 2016.

The Retirement Plans expose the Group to actuarial risks such as investment risk, interest rate risk, longevity risk and salary risk as follows:

Investment and Interest Rate Risks. The present value of the defined benefit retirement obligation is calculated using a discount rate determined by reference to market yields to government bonds. Generally, a decrease in the interest rate of a reference government bond will increase the defined benefit retirement obligation. However, this will be partially offset by an increase in the return on the Retirement Plan's investments and if the return on plan asset falls below this rate, it will create a deficit in the Retirement Plans. Due to the long-term nature of the defined benefit retirement obligation, a level of continuing equity investments is an appropriate element of the long-term strategy of the Group to manage the Retirement Plans efficiently.

Longevity and Salary Risks. The present value of the defined benefit retirement obligation is calculated by reference to the best estimates of: (1) the mortality of the plan participants, and (2) to the future salaries of the plan participants. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the defined benefit retirement obligation.

The overall expected rate of return is determined based on historical performance of the investments.

The principal actuarial assumptions used to determine retirement benefits are as follows:

	In Percentages	
	2015	2014
Discount rate	**4.54 - 5.24**	4.31 - 4.80
Salary increase rate	**7**	7

Assumptions for mortality and disability rates are based on published statistics and mortality and disability tables.

The weighted average duration of defined benefit retirement obligation is 2.25 years and 2.4 years as of December 31, 2015 and 2014, respectively.

As of December 31, 2015 and 2014, the reasonable possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit retirement obligation by the amounts below, respectively:

	Defined Benefit Retirement Obligation Increase (Decrease)			
	2015		2014	
	1 Percent Increase	**1 Percent Decrease**	1 Percent Increase	1 Percent Decrease
Discount rate	**(P9,026)**	**P9,750**	(P9,949)	P10,775
Salary increase rate	**8,187**	**(7,760)**	9,064	(8,574)

In 2015 and 2014, the Group's transaction relating to the Retirement Plans pertain to the contributions for the period. There are no other transaction or outstanding receivables and payables with the plan assets.

30. Basic and Diluted Loss Per Share

Basic and Diluted Loss Per Share is computed as follows:

	2015			2014			2013		
	Continuing Operations	Discontinued Operation	Total	Continuing Operations	Discontinued Operation	Total	Continuing Operations	Discontinued Operation	Total
Net loss	(P364,069)	(P21,527)	(P385,596)	(P632,508)	(P133,699)	(P766,207)	(P981,035)	(P120,160)	(P1,101,195)
Less: Dividends on preferred shares	49,180	-	49,180	49,180	-	49,180	49,180	-	49,180
Net loss available to common shares (a)	(P413,249)	(P21,527)	(P434,776)	(P681,688)	(P133,699)	(P815,387)	(P1,030,215)	(P120,160)	(P1,150,375)
Weighted average number of common shares outstanding (in thousands) - basic and diluted (b)	286,328	286,328	286,328	287,577	287,577	287,577	290,076	290,076	290,076
Basic and Diluted Loss Per Share (a/b)	(P1.44)	(P0.08)	(P1.52)	(P2.37)	(P0.47)	(P2.84)	(P3.55)	(P0.42)	(P3.97)

31. Share-Based Transactions

ESPP

Under the ESPP, 3,000,000 shares (inclusive of stock dividends declared) of the Company's unissued shares have been reserved for the employees of the Company. All permanent Philippine-based employees of the Company, who have been employed for a continuous period of one year prior to the subscription period, will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

The ESPP requires the subscribed shares and stock dividends accruing thereto to be pledged to the Company until the subscription is fully paid. The right to subscribe under the ESPP cannot be assigned or transferred. A participant may sell his shares after the second year from the exercise date.

Subscriptions receivable amounted to P335 and P4,975 as of December 31, 2015 and 2014 respectively, presented as part of "Trade and other receivables" account in the consolidated statements of financial position (Note 8).

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions. The shares pertaining to withdrawn or cancelled subscriptions shall remain issued shares and shall revert to the pool of shares available under the ESPP.

There were no shares offered under the ESPP in 2015 and 2014.

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Interest Rate Risk
- Foreign Currency Risk
- Commodity Price Risk
- Liquidity Risk
- Credit Risk

This note presents information about the exposure to each of the foregoing risks, the objectives, policies and processes for measuring and managing these risks, and for management of capital.

The principal non-trade related financial instruments of the Group include cash and cash equivalents, short-term and long-term loans and derivative instruments. These financial instruments, except derivative instruments, are used mainly for working capital management purposes. The trade-related financial assets and financial liabilities of the Group such as trade and other receivables, noncurrent receivables and deposits and trade and other payables arise directly from and are used to facilitate its daily operations.

The accounting policies in relation to derivatives are set out in Note 3 to the consolidated financial statements.

The BOD has the overall responsibility for the establishment and oversight of the risk management framework of the Group. The BOD has established the Risk Management Committee, which is responsible for developing and monitoring the risk management policies. The committee reports regularly to the BOD on its activities.

The risk management policies of the Group are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The BOD constituted the Audit Committee to assist the BOD in fulfilling its oversight responsibility of the Group's corporate governance process relating to the: a) quality and integrity of the financial statements and financial reporting process and the systems of internal accounting and financial controls; b) performance of the internal auditors; c) annual independent audit of the financial statements, the engagement of the independent auditors and the evaluation of the independent auditors' qualifications, independence and performance; d) compliance with legal and regulatory requirements, including the disclosure control and procedures; e) evaluation of management's process to assess and manage the enterprise risk issues; and f) fulfillment of the other responsibilities set out by the BOD. The Audit Committee shall also prepare the reports required to be included in the annual report of the Group.

The Audit Committee also oversees how management monitors compliance with the risk management policies and procedures of the Group and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group's exposure to changes in interest rates relates primarily to the long-term borrowings. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. On the other hand, borrowings issued at variable rates expose the Group to cash flow interest rate risk.

The Group manages its interest cost by using an optimal combination of fixed and variable rate debt instruments. Management is responsible for monitoring the prevailing market-based interest rate and ensures that the mark-up rates charged on its borrowings are optimal and benchmarked against the rates charged by other creditor banks.

In managing interest rate risk, the Group aims to reduce the impact of short-term fluctuations on the earnings. Over the longer term, however, permanent changes in interest rates would have an impact on profit or loss.

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P4,343, P5,221 and P6,380 in 2015, 2014 and 2013, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

Interest Rate Risk Table

The terms and maturity profile of the interest-bearing financial instruments, together with its gross amounts, are shown in the following tables:

December 31, 2015	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Floating Rate						
Philippine peso-denominated	P114,286	P114,286	P114,285	P -	P -	P342,857
Interest rate	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher			
	P114,286	P114,286	P114,285	P -	P -	P342,857

December 31, 2014	<1 Year	1 - 2 Years	>2 - 3 Years	>3 - 4 Years	>4 - 5 Years	Total
Floating Rate						
Philippine peso-denominated	P114,286	P114,286	P114,286	P114,285	P -	P457,143
Interest rate	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher	PDST-F+ margin or BSP overnight rate, whichever is higher		
	P114,286	P114,286	P114,286	P114,285	P -	P457,143

Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity.

Information on the Group's foreign currency-denominated monetary assets and their Philippine peso equivalents is as follows:

	December 31, 2015		December 31, 2014	
	US Dollar	Peso Equivalent	US Dollar	Peso Equivalent
Assets				
Cash and cash equivalents	US$193	P9,102	US$2,440	P109,137
Trade and other receivables	187	8,814	580	25,954
Foreign currency-denominated monetary assets	US$380	P17,916	US$3,020	P135,091

The Group reported net loss (gains) on foreign exchange from continuing and discontinued operations amounting to P2,081, (P2,778) and (P7,980) in 2015, 2014 and 2013, respectively, with the translation of its foreign currency-denominated assets (Notes 6 and 26). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	US Dollar to Philippine Peso
December 31, 2015	**47.060**
December 31, 2014	44.720
December 31, 2013	44.395

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets) and the Group's equity:

	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
December 31, 2015	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P193)	(P135)	P193	P135
Trade and other receivables	(187)	(131)	187	131
	(P380)	(P266)	P380	P266

December 31, 2014	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
Cash and cash equivalents	(P2,440)	(P1,708)	P2,440	P1,708
Trade and other receivables	(580)	(406)	580	406
	(P3,020)	(P2,114)	P3,020	P2,114

Exposures to foreign exchange rates vary during the year depending on the volume of overseas transactions. Nonetheless, the analysis above is considered to be representative of the Group's foreign currency risk.

Commodity Price Risk

Commodity price risk is the risk that future cash flows from a financial instrument will fluctuate because of changes in commodity prices. The Group, through SMC, enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins. For hedging transactions, if prices go down, hedge positions may show marked-to-market losses; however, any loss in the marked-to-market position is offset by the resulting lower physical raw material cost.

SMC enters into commodity derivative transactions on behalf of the Group to reduce cost by optimizing purchasing synergies within the SMC Group and managing inventory levels of common materials.

Commodity Forwards. The Group enters into forward purchases of various commodities. The prices of the commodity forwards are fixed either through direct agreement with suppliers or by reference to a relevant commodity price index.

Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty to meet payment obligations when they fall under normal and stress circumstances.

The Group's objectives to manage its liquidity risk are as follows: a) to ensure that adequate funding is available at all times; b) to meet commitments as they arise without incurring unnecessary costs; c) to be able to access funding when needed at the least possible cost; and d) to maintain an adequate time spread of refinancing maturities.

The Group constantly monitors and manages its liquidity position, liquidity gaps and surplus on a daily basis. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

The table below summarizes the maturity profile of the Group's financial assets and financial liabilities based on contractual undiscounted receipts and payments used for liquidity management.

December 31, 2015	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
Financial Assets					
Cash and cash equivalents	P445,801	P445,801	P445,801	P -	P -
Trade and other receivables - net	2,802,212	2,802,212	2,802,212	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	430	430	430	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	187,338	187,338	-	186,853	485
Financial Liabilities					
Notes payable	8,406,460	8,458,827	8,458,827	-	-
Trade and other payables (excluding dividends payable and derivative liabilities)	2,230,667	2,230,667	2,230,667	-	-
Derivative liabilities (included under "Trade and other payables" account)	128	128	128	-	-
Long-term debt (including current maturities)	342,857	365,318	126,483	121,813	117,022

December 31, 2014	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years
Financial Assets					
Cash and cash equivalents	P579,917	P579,917	P579,917	P -	P -
Trade and other receivables - net	3,921,468	3,921,468	3,921,468	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	52	52	52	-	-
Noncurrent receivables and deposits (included under "Other noncurrent assets - net" account)	189,981	189,981	-	189,496	485
Financial Liabilities					
Notes payable	10,084,440	10,152,613	10,152,613	-	-
Trade and other payables (excluding dividends payable and derivative liabilities)	2,323,555	2,323,555	2,323,555	-	-
Derivative liabilities (included under "Trade and other payables" account)	360	360	360	-	-
Long-term debt (including current maturities)	457,143	494,165	130,524	125,924	237,717

Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from trade and other receivables. The Group manages its credit risk mainly through the application of transaction limits and close risk monitoring. It is the Group's policy to enter into transactions with a wide diversity of creditworthy counterparties to mitigate any significant concentration of credit risk.

The Group has regular internal control reviews to monitor the granting of credit and management of credit exposures.

Trade and Other Receivables

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on the credit risk.

Goods are subject to retention of title clauses so that in the event of default, the Group would have a secured claim. Where appropriate, the Group obtains collateral or arranges master netting agreements.

The Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the standard payment and delivery terms and conditions are offered. The Group ensures that sales on account are made to customers with appropriate credit history. The Group has detailed credit criteria and several layers of credit approval requirements before engaging a particular customer or counterparty. The review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer and are reviewed on a regular basis. Customers that fail to meet the benchmark creditworthiness may transact with the Group only on a prepayment basis.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance include a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

Financial information on the Group's maximum exposure to credit risk, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2015	2014
Cash and cash equivalents	*7*	**P445,801**	P579,917
Trade and other receivables - net	*8*	**2,802,212**	3,921,468
Derivative assets	*10*	**430**	52
Noncurrent receivables and deposits	*14*	**187,338**	189,981
		P3,435,781	P4,691,418

The credit risk for cash and cash equivalents and derivative assets is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

The Group's exposure to credit risk arises from default of counterparty. Generally, the maximum credit risk exposure of trade and other receivables and noncurrent receivables and deposits is its carrying amount without considering collaterals or credit enhancements, if any. The Group has no significant concentration of credit risk since the Group deals with a large number of homogenous counterparties. The Group does not execute any credit guarantee in favor of any counterparty.

Capital Management

The Group maintains a sound capital base to ensure its ability to continue as a going concern, thereby continue to provide returns to stockholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce cost of capital.

The Group manages its capital structure and makes adjustments in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, pay-off existing debts, return capital to shareholders or issue new shares.

The Group defines capital as paid-in capital stock, additional paid-in capital and retained earnings, both appropriated and unappropriated. Other components of equity such as treasury stock, cumulative translation adjustments and reserve for retirement plan are excluded from capital for purposes of capital management.

The BOD has overall responsibility for monitoring capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the external environment and the risks underlying the Group's business, operation and industry.

The Group monitors capital on the basis of debt-to-equity ratio, which is calculated as total debt divided by total equity. Total debt is defined as total current liabilities and total noncurrent liabilities, while equity is total equity as shown in the consolidated statements of financial position.

The Group is not subject to externally imposed capital requirements.

33. Financial Assets and Financial Liabilities

The table below presents a comparison by category of carrying amounts and fair values of the Group's financial instruments:

	December 31, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Cash and cash equivalents	P445,801	P445,801	P579,917	P579,917
Trade and other receivables - net	2,802,212	2,802,212	3,921,468	3,921,468
Derivative assets (included under "Prepaid expenses and other current assets" account)	430	430	52	52
Noncurrent receivables and deposits - net (included under "Other noncurrent assets - net" account)	187,338	187,338	189,981	189,981
Financial Liabilities				
Notes payable	8,406,460	8,406,460	10,084,440	10,084,440
Trade and other payables (excluding dividends payable and derivative liabilities)	2,230,667	2,230,667	2,323,555	2,323,555
Derivative liabilities (included under "Trade and other payables" account)	128	128	360	360
Long-term debt (including current maturities)	342,857	342,857	457,143	457,143

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Trade and Other Receivables and Noncurrent Receivables and Deposits. The carrying amount of cash and cash equivalents and trade and other receivables approximates fair value primarily due to the relatively short-term maturities of these financial instruments. In the case of noncurrent receivables and deposits, the fair value is based on the present value of expected future cash flows using the applicable discount rates based on current market rates of identical or similar quoted instruments.

Derivatives. The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. Fair values for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

Notes Payable and Trade and Other Payables. The carrying amount of notes payable and trade and other payables approximates fair value due to the relatively short-term maturities of these financial instruments.

Long-term Debt. The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 2.4% to 4.6% and 2.5% to 4.3% as of December 31, 2015 and 2014, respectively. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

Derivative Financial Instruments
The Group's derivative financial instruments according to the type of financial risk being managed and the details of embedded derivative financial instruments are discussed below.

Derivative Instruments not Designated as Hedges
The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in the consolidated statements of income. Details are as follows:

Embedded Currency Forwards
The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US$4,658 and US$828 as of December 31, 2015 and 2014, respectively. These non-financial contracts consist mainly of foreign currency denominated purchase orders and sales agreements. The embedded forwards are not clearly and closely related to their respective host contracts. The net fair value of these embedded currency forwards amounted to P302 and (P308) as of December 31, 2015 and 2014, respectively.

The Group recognized marked-to-market gains (losses) from embedded derivatives amounting to (P702), (P2,459) and P1,007 in 2015, 2014 and 2013, respectively (Note 26).

Fair Value Changes on Derivatives
The net movements in fair value of all derivative instruments are as follows:

	2015	2014
Balance at beginning of year	(P308)	(P259)
Net changes in fair value of non-accounting hedges	(702)	(2,459)
	(1,010)	(2,718)
Less fair value of settled instruments	(1,312)	(2,410)
Balance at end of year	P302	(P308)

Fair Value Hierarchy
Financial assets and financial liabilities measured at fair value in the consolidated statements of financial position are categorized in accordance with the fair value hierarchy. This hierarchy groups financial assets and financial liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and financial liabilities (Note 3).

The table below analyzes financial instruments carried at fair value, by valuation method:

	December 31, 2015			December 31, 2014		
	Level 1	Level 2	Total	Level 1	Level 2	Total
Financial Assets						
Derivative assets	P -	P430	P430	P -	P52	P52
Financial Liabilities						
Derivative liabilities	-	128	128	-	360	360

The Group has no financial instruments valued based on Level 1 and Level 3 as of December 31, 2015 and 2014. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

34. Other Matters

a. *Commitments*

- The Company has a Toll Manufacturing Agreement with third parties for the production of its alcoholic and nonalcoholic products. Toll manufacturing expense amounting to P82,677, P245,368 and P286,962 in 2015, 2014 and 2013, respectively, were included as part of "Outside services" account under the "Cost of sales" account (Note 20).

- The outstanding purchase commitments of the Company amounted to US$105,225 (P4,951,885) and US$19,837 (P887,113) as of December 31, 2015 and 2014, respectively.

b. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements of the Group. No provision was recognized in 2015, 2014 and 2013.

c. Certain accounts in prior years have been reclassified for consistency with the current period presentation. These reclassifications have no effect on the reported financial performance for any period.

CORPORATE HEAD OFFICE
Ginebra San Miguel Inc.
3rd and 6th Floors
San Miguel Properties Centre
7 St. Francis Street, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 841-5100

SHAREHOUSE SERVICES AND ASSISTANCE
The SMC Stock Transfer Services Corporation serves as the Company's stock transfer agent and registrar. For inquiries regarding dividend payments, change of address and account status, lost or damaged stock certificate, please write or call:

SMC STOCK TRANSFER SERVICE CORPORATION
2nd Floor, SMC Head Office
40 San Miguel Avenue, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 632-3450 to 52
Email Address: smc_stsc@sanmiguel.com.ph

CUSTOMER CARE
For inquiries, orders and suggestions on our products and services, please write or call:

SAN MIGUEL CUSTOMER CARE CENTER
San Miguel Properties Centre
7 St. Francis Street, Mandaluyong City
1550 Metro Manila, Philippines
Telephone: (632) 632-BLOG (2564)
Fax: (632) 632-3299 Mailbox No. 2005#
Email: customercare.corporate@sanmiguel.com.ph

3rd and 6th Floors, San Miguel Properties Centre
7 St. Francis Street, Mandaluyong City
1550 Metro Manila, Philippines
www.ginebrasanmiguel.com