COVER SHEET

SEC Registration Number

						1	6	3	4	2

Company Name

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

Principal Office (No./Street/Barangay/City/Town/Province)

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

Form Type	Department requiring the report	Secondary License Type, If Applicable
20-IS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number/s	Mobile Number
–	857-0100	–

No. of Stockholders	Annual Meeting Month/Day	Fiscal Year Month/Day
1,244	04/27	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jose T. Sio	–	857-0100	–

Contact Person's Address

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

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

Notice of Annual Stockholders' Meeting
April 27, 2016 at 2:30 p.m.
Forbes Ballroom 1 & 2, Conrad Manila
Seaside Boulevard Corner Coral Way, Mall of Asia Complex, Pasay City 1300

To all Stockholders:

Please take notice that the 2016 annual stockholders' meeting of SM Investments Corporation will be held on April 27, 2016 at 2:30 p.m. at the Forbes Ballroom 1 & 2, Conrad Manila, Seaside Boulevard corner Coral Way, Mall of Asia Complex, Pasay City. The proposed agenda of the meeting is set forth below:

A G E N D A

1. Call to order
2. Certification of notice and quorum
3. Approval of minutes of annual meeting of stockholders held on April 29, 2015
4. Annual Report for the Year 2015 (Open Forum)
5. Ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting
6. Declaration of 50% Stock Dividend
7. Approval of increase in authorized capital stock from P12,000,000,000 to P28,000,000,000 and the amendment of Article Seven of the Amended Articles of Incorporation to reflect the capital increase
8. Election of directors for 2016 – 2017
9. Appointment of external auditors
10. Other Matters
11. Adjournment

Attached are the rationale for the above agenda items for reference.

The Board of Directors has fixed the end of trading hours of the Philippine Stock Exchange (PSE) on March 28, 2016 as the record date for the determination of stockholders entitled to notice of and to vote at such meeting and any adjournment thereof.

In case you cannot personally attend the meeting, you may accomplish the attached proxy form and submit the same to the office of the Corporate Secretary at the Suite 2401, The Orient Square, F. Ortigas Jr. Road, Ortigas Center, Pasig City 1600 at least seven (7) business days (or until April 18, 2016) before the date set for the annual meeting, as provided in the By-laws.

For your convenience in registering your attendance, please bring some form of identification, such as a passport, driver's license, or company I.D.

Pasig City, March 17, 2016.

BY THE ORDER OF THE BOARD OF DIRECTORS

ELMER B. SERRANO
Corporate Secretary
SM INVESTMENTS CORPORATION

Rationale for Agenda Items:

Agenda Item 3: To acknowledge and consider the Minutes of Annual Stockholders' Meeting held on April 29, 2015 for approval.

The Minutes of the ASM held on April 29, 2015 were made and submitted to the SEC within the period prescribed by pertinent laws, rules and regulation. The Minutes were also posted on the Company's website. The Board of Directors recommends the stockholders to consider subject minutes for approval on April 27, 2016.

Agenda Item 4: To acknowledge and consider for approval the Annual Report of the Company for 2015.

The Company's 2015 performance results have been duly summarized in the Annual Report which includes the Audited Financial Statements (AFS) of the Company for the year ended 2015. The AFS have been reviewed by the Audit and Risk Management Committee and the Board of Directors, and have been audited by the external auditors who expressed an unqualified opinion on the aforementioned financial statements. Any stockholder who would like to receive a hard copy or CD of the 2015 Annual Report may do so from the office of the Investor Relations Office.

Agenda Item 5: To acknowledge and ratify all the acts of the Board of Directors and Management from the date of the last Annual Stockholders' Meeting to the date of this meeting.

The Company's performance in 2015, as detailed in the Annual Report, is attributed to the strategic directions and key policies set by the Board of Directors which were effectively executed and complied with by Management in conformance with good corporate governance and ethical best practices.

Agenda Item 6: Declaration of 50% Stock Dividend

The policy of the Company is to provide a sustainable dividend stream to its shareholders. Determination of the dividend payout takes into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. This stock dividend is in the nature of a special dividend taking into account the performance of the Company.

Agenda Item 7: To consider and approve the increase in authorized capital stock and amend Article 7 of the Amended Articles of Incorporation to reflect such increase.

The Board of Directors recommend the increase of the Company's authorized capital stock from Twelve Billion Pesos (P12,000,000,000.00) to Twenty Eight Billion Pesos (P28,000,000,000.00) in order to have enough unissued capital stock to be able to fulfill the proposed declaration of stock dividends by the Company and to allow the Company the capability and flexibility for any future capital initiatives. With the availability of sufficient unissued capital stock, the Company will be ready to take advantage of opportunities as they arise.

Agenda Item 8: To elect the Board of Directors for 2016 to 2017

Qualifications of the nominated Directors have been duly reviewed and based thereon, the nominated Directors are determined to be qualified and are being recommended by the Company's Nomination Committee for election. Their proven competence, expertise and qualifications based on current regulatory standards and the Company's own norms, will help sustain the Company's solid performance for the benefit of all its stockholders.

Agenda Item 9: To consider and approve the Audit and Risk Management Committee's recommendation for the appointment of the external auditor.

Based on the recommendation of the Audit and Risk Management Committee, the Board nominates SyCip Gorres Velayo & Co. (SGV & Co.) as the Company's external auditor for 2016. SGV & Co. is one of the top auditing firms in the country which is duly accredited with the Securities and Exchange Commission. The stockholders are also endorsed to delegate approval authority to the Board to approve the appropriate audit fee for 2016.

Pasig City, March 17, 2016.

(SAMPLE PROXY FORM FOR INDIVIDUALS)

PROXY

The undersigned stockholder of SM Investments Corporation (the "Company") hereby appoints ______________________ or in his absence, the Chairman of the meeting, as attorney and proxy, with power of substitution, to represent and vote all shares registered in his/her/its name as proxy of the undersigned stockholder, at the Annual Meeting of Stockholders of the Company on April 27, 2016 and at any of the adjournments thereof for the purpose of acting on the following matters:

1. Approval of minutes of previous annual stockholders' meeting.
   ___ Yes ___ No ___ Abstain

2. Approval of 2014 Annual Report.
   ___ Yes ___ No ___ Abstain

3. Ratification of all acts and resolutions of the Board of Directors and Executive Officers.
   ___ Yes ___ No ___ Abstain

4. Approval of the declaration of stock dividends.
   ___ Yes ___ No ___ Abstain

5. Approval of the increase in authorized capital stock and amendment of Article 7 of the Amended Articles of Incorporation to reflect such increase
   ___ Yes ___ No ___ Abstain

6. Election of Directors.
   ____ a) Vote for all nominees listed below:
   i. Henry Sy, Sr.
   ii Teresita T. Sy
   iii. Henry T. Sy, Jr.
   iv. Harley T. Sy
   v. Jose T. Sio
   vi. Ah Doo Lim (Independent Director)
   vii. Joseph R. Higdon (Independent Director)
   viii. Tomasa H. Lipana (Independent Director)

   ____ b) Withhold authority for all nominees listed above

   ____ c) Withhold authority to vote for the nominees listed below:

   __________________ __________________
   __________________ __________________
   __________________ __________________
   __________________ __________________

7. Election of SyCip Gorres Velayo & Co. as external auditor.
   ___ Yes ___ No ___ Abstain

8. At their discretion, the proxies named above are authorized to vote upon such other matters as may be properly come before the meeting.
   ___ Yes ___ No ___ Abstain

____
Printed Name of Stockholder

____
Signature of Stockholder /
Authorized Signatory

____
Date

(SAMPLE PROXY FORM FOR CORPORATIONS)

SECRETARY'S CERTIFICATE

I, ____________________, Filipino, of legal age and with office address at ____________________________, do hereby certify that:

1. I am the duly appointed Corporate Secretary of ___________________________ (the "Corporation"), a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at __________________________;

2. Based on the records, during the lawfully convened meeting of the Board of Directors of the Corporation held on ______________________, the following resolution was passed and approved:

   "RESOLVED, That ____________________ be authorized and appointed, as he is hereby authorized and appointed, as the Corporation's Proxy (the "Proxy") to attend all meetings of the stockholders of SM Investments Corporation (SMIC) whether the meeting is regular or special, or at any meeting postponed or adjourned therefrom, with full authority to vote the shares of stock of the Corporation held in SMIC and to act upon all matters and resolution that may come before or presented during meetings, or any adjournments thereof, in the name, place and stead of the Corporation.

   "RESOLVED, FINALLY, That SMIC be furnished with a certified copy of this resolution and SMIC may rely on the continuing validity of this resolution until receipt of written notice of its revocation."

3. The foregoing resolution has not been modified, amended or revoked in accordance with the records of the Corporation presently in my custody.

IN WITNESS WHEREOF, I have signed this instrument in ____________ on _______________.

____
Printed Name and Signature of the
Corporate Secretary

SUBSCRIBED AND SWORN TO BEFORE ME on _________________ in _________________. Affiant exhibited to me his Competent Evidence of Identity by way of _____________________ issued on _______________ at ________________.

Doc. No. ______;
Page No. ______;
Book No. ______;
Series of _______.

THE PROXY SHOULD BE RECEIVED BY THE CORPORATE SECRETARY ON OR BEFORE **APRIL 18, 2016 (MONDAY)**, THE DEADLINE FOR SUBMISSION OF PROXIES.

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER AS DIRECTED HEREIN BY THE STOCKHOLDER(S). IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED 'FOR' THE ELECTION OF ALL NOMINEES AND FOR THE APPROVAL OF THE MATTERS STATED ABOVE AND FOR SUCH OTHER MATTERS AS MAY PROPERLY COME BEFORE THE MEETING IN THE MANNER DESCRIBED IN THE INFORMATION STATEMENT AND/OR AS RECOMMENDED BY MANAGEMENT OR THE BOARD OF DIRECTORS.

A STOCKHOLDER GIVING PROXY HAS THE POWER TO REVOKE IT AT ANY TIME BEFORE THE RIGHT GRANTED IS EXERCISED. A PROXY IS ALSO CONSIDERED REVOKED IF THE STOCKHOLDER ATTENDS THE MEETING IN PERSON AND EXPRESSED HIS INTENTION TO VOTE IN PERSON.

PROFILES OF THE BOARD OF DIRECTORS

HENRY SY, SR.

Chairman of the Board

Non-Executive Director

EDUCATION/EXPERIENCE	Henry Sy, Sr., is the Chairman of the Board of Directors of SMIC. He is the founder of the SM Group and is currently Chairman Emeritus of SM Prime, SM Development, Highlands Prime Inc., BDO Unibank, Inc. and Honorary Chairman of China Banking Corporation. Mr. Sy opened the first ShoeMart store in 1958 and has since evolved into a dynamic group of companies with five lines of businesses - shopping malls, retail, financial services, real estate development and tourism, hotels and conventions.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	January 1960
NO. OF YEARS ON THE BOARD	55 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc. — Non-Executive Director (Chairman Emeritus) BDO Unibank, Inc. — Non-Executive Director (Chairman Emeritus) China Banking Corporation — Non-Executive Director (Honorary Chairman)

TERESITA T. SY

Vice Chairperson of the Board

Non-Executive Director

Chairperson, Compensation and Remuneration Committee

Chairperson, Executive Committee, Member, Audit and Risk Management Committee

Member, Nomination Committee

EDUCATION/EXPERIENCE	Teresita T. Sy, is the Vice Chairperson of SMIC. She likewise holds board positions in various subsidiaries and affiliates of SMIC. This includes BDO Unibank, Inc. where she is currently Chairperson, and SM Prime Holdings where she acts as Adviser to the Board. She is likewise the Chairperson of SM Retail, Inc., which holds the SM Group's interests in its retail businesses. She is a graduate of Assumption College. She brings to the board her vast experience in retail merchandising, mall development and banking businesses.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	May 1979
NO. OF YEARS ON THE BOARD	36 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	BDO Unibank, Inc. — Executive Director (Chairperson) SM Prime Holdings, Inc. — Adviser to the Board

HENRY T. SY, JR.

Vice Chairman of the Board

Non-Executive Director

EDUCATION/EXPERIENCE	Henry T. Sy, Jr., is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. and SM Development Corporation. He is also the Vice Chairman – President of Highlands Prime, Inc. He is likewise the President of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	May 1979
NO. OF YEARS ON THE BOARD	36 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	SM Prime Holdings, Inc. — Non-Executive Director (Chairman)

HARLEY T. SY

President

Executive Director

EDUCATION/EXPERIENCE	Harley T. Sy, is the President of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group and Adviser to the Board of Directors of BDO Private Bank. He is the Vice Chairman of the Retail Group of SM Retail, Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	May 1993
NO. OF YEARS ON THE BOARD	22 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	China Banking Corporation — Non-Executive Director

JOSE T. SIO

Executive Director

Member, Compensation and Remuneration Committee

EDUCATION/ EXPERIENCE	Jose T. Sio, is the Executive Vice President and Chief Finance Officer of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, and Atlas Consolidated Mining and Development Corporation. Mr. Sio is also Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration from New York University, is a certified public accountant and was formerly a senior partner at Sycip Gorres Velayo & Co. Mr. Sio was voted CFO of the Year in 2009 by the Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based business publications.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	May 2005
NO. OF YEARS ON THE BOARD	11 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	China Banking Corporation — Non-Executive Director Belle Corporation — Non-Executive Director Atlas Consolidated Mining and Development Corp. — Non-Executive Director BDO Unibank, Inc. — Adviser to the Board Premium Leisure Corporation — Adviser to the Board

VICENTE S. PEREZ, JR.

Independent Director

Chairman, Audit and Risk Management Committee

Member, Nomination Committee

Member, Compensation and Remuneration Committee

EDUCATION/ EXPERIENCE	Vicente S. Perez, Jr., is an Independent Director of SMIC. His career has ranged from international banker, investment bank partner, private equity investor to cabinet secretary. He is the Chief Executive Officer of Alternergy and, Chairman of Merritt Partners. He was the youngest and longest serving Secretary of the Department of Energy. In 2001, he briefly served as Undersecretary for Industry and Investments at the Department of Trade and Industry and Managing Head of the Board of Investments. He is a member of the WWF-International Board. Mr. Perez also currently serves as an independent director of Double Dragon Properties Corp. and ST Telemedia. Mr. Perez is a member of the advisory boards of Coca-Cola FEMSA Phils., Pictet Clean Energy Fund, Roxas Holdings, and the Yale Center for Business and Environment. He obtained his master's degree in Business Administration from the Wharton School of the University of Pennsylvania, and his bachelor's degree in Business Economics from the University of the Philippines. He was a 2005 World Fellow at Yale University where he lectured an MBA Class on renewable power in emerging countries.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	May 2005
NO. OF YEARS ON THE BOARD	11 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	Double Dragon Properties Corp. — Independent Director

AH DOO LIM

Independent Director

Member, Audit and Risk Management Committee

EDUCATION/EXPERIENCE	Ah Doo Lim, a Singaporean, is an Independent Director of SMIC. He is currently an Independent Director of ST Engineering Ltd., one of the largest companies listed on Singapore Exchange, and of ARA-CWT Trust Management (Cache) Ltd., GP Industries Ltd., GDS Holdings Limited, and U Mobile Sdn Bhd. He is also an Independent Director of Sembcorp Marine Ltd., a world leading offshore rig builder and of Bracell Limited (formerly known as Sateri Holdings Limited), a world leader in the specialty cellulose industry. He obtained a degree in Engineering from Queen Mary College, University of London in 1971, and a Master's Degree in Business Administration from Cranfield School of Management, England in 1976.
BOARD ATTENDANCE	100%; 5 of 5 Meetings
DATE OF FIRST APPOINTMENT	April 2008
NO. OF YEARS ON THE BOARD	8 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	ST Engineering Ltd. — Director Sembcorp Marine Ltd. — Director GP Industries Ltd. — Director Bracell Limited — Director ARA-CWT Trust Management (Cache) Ltd. — Director

JOSEPH R. HIGDON

Independent Director

Chairman, Nomination Committee

EDUCATION/EXPERIENCE	Joseph R. Higdon, an American, is an Independent Director of SMIC. Until his retirement, he was a Senior Vice-President of Capital Research and Management Company, a United States investment company. He joined Capital Research in 1974 and worked there until 2006. He analyzed Philippine Stocks from 1989 until 2006. He was a US Peace Corps volunteer in the Philippines from 1962 to 1964. He is also an Independent Director of International Container Terminal Services, Inc. and Security Bank Corporation. For six years until 2012, he served as a member of the Advisory Board for the Coca-Cola Bottling Company, Philippines.
BOARD ATTENDANCE	80%; 4 of 5 Meetings
DATE OF FIRST APPOINTMENT	April 2010
NO. OF YEARS ON THE BOARD	6 yrs.
OTHER INFORMATION	No legal dispute in the past five (5) years; No conflict of interest transactions in the past year.
POSITIONS IN OTHER REPORTING COMPANIES	International Container Terminal Services, Inc. — Independent Director Security Bank Corporation — Independent Director

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

**INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE**

1. Check the appropriate box:

   [___] Preliminary Information Statement

   [_✓_] Definitive Information Statement

2. Name of Registrant as specified in its charter: **SM INVESTMENTS CORPORATION**

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

4. SEC Identification Number: **0000016342**

5. BIR Tax Identification Code: **000-169-020-000**

6. Address of principal office: **10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City**
   Postal Code **1300**

7. Registrant's telephone number, including area code: **(632) 857-0100 / fax (632) 857-0132**

8. Date, time and place of the meeting of security holders: **April 27, 2016, 2:30 p.m.**
   Forbes Ballroom 1 & 2
   Conrad Manila, Seaside Boulevard
   corner Coral Way, Mall of Asia
   Complex, Pasay City 1300

9. Approximate date on which the Information Statement is first to be sent or given to security holders: **April 6, 2016**

10. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common shares	**803,055,405**

11. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes _✓_ No ___

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

PART I

INFORMATION REQUIRED IN INFORMATION STATEMENT

A. BUSINESS AND GENERAL INFORMATION

ITEM 1. Date, Time And Place Of Meeting Of Security Holders

(a) Date : April 27, 2016

Time : 2:30 p.m.

Place : Forbes Ballroom 1 & 2
Conrad Manila, Seaside Boulevard
corner Coral Way, Mall of Asia Complex
Pasay City 1300

Mailing Address of Registrant : **SM Investments Corporation**
10th floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
Pasay City 1300

(b) The approximate date on which the Information Statement will be sent or given to the stockholders is on April 6, 2016.

Statement that proxies are not solicited

WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND A PROXY.

Voting Securities

The record date for purposes of determining the stockholders entitled to vote is March 28, 2016. The total number of shares outstanding and entitled to vote in the stockholders' meeting is 803,055,405 shares. Stockholders are entitled to cumulative voting in the election of the board of directors, as provided by the Corporation Code.

ITEM 2. Dissenters' Right of Appraisal

SM Investments Corporation (SMIC or the "Company") respects the inherent rights of stockholders under the law. SMIC recognizes that all stockholders should be treated fairly and equally whether they be controlling, majority or minority, local or foreign.

Pursuant to Section 81 of the Corporation Code of the Philippines, a stockholder has the right to dissent and demand payment of the fair value of his shares in the following instances:

(a) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any shares of any class, or of extending or shortening the term of corporate existence.
(b) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
(c) In case of merger or consolidation.

Procedure:

The procedure for the exercise by a dissenting stockholder of his appraisal right is as follows:

(a) A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right.
(b) The dissenting stockholder shall make a written demand on the corporation within 30 days after the date on which the vote was taken for payment for the fair value of his shares. The failure of the stockholder to make the demand within 30 day period shall be deemed a waiver on his appraisal right;
(c) If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of corresponding certificate(s) of stock within 10 days after demanding payment for his shares (Sec. 86), the fair value thereof; and
(d) Upon payment of the agreed or awarded price, the stockholder shall transfer his share to the corporation.

ITEM 3. Interest of Certain Persons in or Opposition to Matters to be Acted Upon

(a) No director or officer of the Company since the beginning of the last fiscal year, nominee for election as director, or associate of the foregoing persons, have any substantial interest, direct or indirect, by security holdings or otherwise, in any matter to be acted upon, other than election to office.

(b) No director of the Company has informed in writing that he intends to oppose any action to be taken by the Company at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

ITEM 4. Voting Securities and Principal Holders Thereof

(a) Voting Securities

As of February 29, 2016, the total number of common shares outstanding and entitled to vote in the stockholders' meeting is 803,055,405 shares. Out of the aforesaid outstanding common shares, 268,146,722 shares or 33.39% are held by foreigners. Each share is entitled to notice of and to one vote at the Annual Stockholders' Meeting.

(b) Record Date

The record date for purposes of determining the stockholders entitled to notice and to vote is March 28, 2016.

(c) Voting Rights

Stockholders shall be entitled to vote in person or by proxy and, unless otherwise provided by law, he shall have one vote for each share of stock entitled to vote and recorded in his name in the books of the Corporation. At all meetings of the stockholders, all elections and all questions shall be decided by the plurality of vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present, except in cases where other provision is made statute. Unless required by law, or demanded by a stockholder present in person or by proxy at any meeting, and entitled to vote thereat, the vote on any question need not be by ballot. On a vote by ballot, each ballot shall be signed by the stockholder voting, or in his name by proxy if there be by proxy, and shall state the number of shares voted by him.

Provided however, that in the election of Directors, each stockholder shall be entitled to cumulate his votes in the manner prescribed by Title III, Section 24 of the Corporation Code of the Philippines.

(d) Security Ownership of Certain Record and Beneficial Owners as of February 29, 2016

As of February 29, 2016, the following are the owners of the Company's common stock in excess of 5% of total outstanding shares:

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	Percent (%)
Common	Teresita T. Sy (Director and Vice Chairperson) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	57,085,450	7.11%
-do-	Harley T. Sy (Director and President) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	58,528,292	7.29%
-do-	Henry T. Sy, Jr. (Director and Vice Chairperson) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	58,460,450	7.28%
-do-	Hans T. Sy (Stockholder of Issuer) No. 11 Harvard Road, Forbes Park, Makati City	Same as the Record Owner	Filipino	65,969,521	8.21%
-do-	Herbert T. Sy (Stockholder of Issuer) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	65,960,450	8.21%
-do-	Elizabeth T. Sy (Stockholder of Issuer) No. 63 Cambridge Circle, Forbes Park, Makati City	Same as the Record Owner	Filipino	46,722,988	5.82%
-do-	PCD Nominee Corp. (Filipino)	Various clients [1]	Filipino	78,959,519	9.83%
-do-	PCD Nominee Corp. (Non-Filipino)	Various clients [1]	Foreign	268,067,355	33.38%

(1) The Company has no information as to the beneficial owners of the shares of stocks held by PCD Nominee Corp. The clients of PCD Nominee Corp. have the power to decide how their shares are to be voted.

Security Ownership of Management as of February 29, 2016

Title of Securities	Name of Beneficial Owner of Common Stock	Amount and Nature of Beneficial Ownership (D) direct / (I) indirect		Citizenship	Percent of Class
Common	Henry Sy, Sr.	P 31,825,500	D	Filipino	0.40%
Common	Teresita T. Sy	570,854,500	D	Filipino	7.11%
Common	Harley T. Sy	585,282,920	D	Filipino	7.29%
Common	Henry T. Sy, Jr.	584,604,500	D	Filipino	7.28%
Common	Jose T. Sio	140	D	Filipino	0.00%
Common	Vicente S. Perez, Jr.	140	D	Filipino	0.00%
Common	Ah Doo Lim	1,250	D	Singaporean	0.00%
Common	Joseph R. Higdon	1,250	D	American	0.00%
Common	Grace F. Roque	0		Filipino	0.00%
Common	Marianne M. Guerrero	0		Filipino	0.00%
Common	Elizabeth Anne C. Uychaco	0		Filipino	0.00%
Common	Franklin C. Gomez	0		Filipino	0.00%
Common	Cecilia Reyes-Patricio	0		Filipino	0.00%
Common	Corazon P. Guidote	21,250	D	Filipino	0.00%
Common	Frederic C. DyBuncio	0		Filipino	0.00%
Common	Wilson H. Go	1,620		Filipino	0.00%
Common	Marcelo C. Fernando, Jr.	0		Filipino	0.00%
Common	Elmer B. Serrano	0		Filipino	0.00%
		P 1,772,593,070			22.08%

There are no persons holding more than 5% of a class under a voting trust or any similar agreements as of balance sheet date.

(e) Change in Control

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

There are no existing or planned stock warrant offerings. There are no arrangements which may result in a change in control of the Company.

ITEM 5. Directors and Executive Officers of the Registrant

(a) The incumbent Directors and Executive Officers of the Company are as follows:

Office	Name	Age	Citizenship
Chairman	Henry Sy, Sr.	91	Filipino
Vice Chairman	Teresita T. Sy	65	Filipino
Vice Chairman	Henry T. Sy, Jr.	62	Filipino
Director and President	Harley T. Sy	56	Filipino
Director and Executive Vice President and CFO	Jose T. Sio	76	Filipino
Independent Director	Vicente S. Perez, Jr.	57	Filipino
Independent Director	Ah Doo Lim	66	Singaporean
Independent Director	Joseph R. Higdon	74	American
Treasurer and Senior Vice President	Grace F. Roque	65	Filipino
Executive Vice President - Investments Portfolio	Frederic C. DyBuncio	56	Filipino

Office	Name	Age	Citizenship
Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Sec	Marianne Malate-Guerrero	51	Filipino
Senior Vice President - Corporate Services	Elizabeth Anne C. Uychaco	60	Filipino
Senior Vice President - Finance	Franklin C. Gomez	46	Filipino
Senior Vice President - Taxes	Cecilia Reyes-Patricio	58	Filipino
Senior Vice President - Investor Relations	Corazon P. Guidote	55	Filipino
Senior Vice President - Information Technology	Wilson H. Go	53	Filipino
Senior Vice President - Group Treasury	Marcelo C. Fernando, Jr.	55	Filipino
Corporate Secretary and Compliance Officer	Elmer B. Serrano	48	Filipino

MANAGEMENT

Board of Directors

The Directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors are appointed or elected and qualified.

The following are the business experience/s of the Company's incumbent Directors during the last five years:

Henry Sy, Sr., is the Chairman of the Board of Directors of SMIC. He is the founder of the SM Group and is currently Chairman Emeritus of SM Prime, SM Development, Highlands Prime Inc., BDO Unibank, Inc. and Honorary Chairman China Banking Corporation. Mr. Sy opened the first ShoeMart store in 1958 and has since evolved into a dynamic group of companies with five lines of businesses - shopping malls, retail, financial services, real estate development and tourism, hotels and conventions.

Teresita T. Sy, is the Vice Chairperson of SMIC. She has varied experiences in retail merchandising, mall development and banking businesses. A graduate of Assumption College, she was actively involved in ShoeMart's development. At present, she is the Chairperson of BDO Unibank, Inc. She also holds board positions in several companies within the SM Group.

Henry T. Sy, Jr., is the Vice Chairman of SMIC and Chairman of SM Prime Holdings, Inc. (SMPHI) and SM Development Corporation. He is also the Vice Chairman – President of Highlands Prime, Inc. He is likewise the President of National Grid Corporation of the Philippines. He is responsible for the real estate acquisitions and development activities of the SM Group which include the identification, evaluation and negotiation for potential sites as well as the input of design ideas. He graduated with a Management degree from De La Salle University.

Harley T. Sy, is the President of SMIC. He is a Director of China Banking Corporation and other companies within the SM Group and Adviser to the Board of Directors of BDO Private Bank. He is the Vice Chairman of the Retail Group of SM Retail, Inc. He holds a degree in Bachelor of Science in Commerce, Major in Finance from De La Salle University.

Jose T. Sio, is the Executive Vice President and Chief Finance Officer of SMIC. He is also a Director of China Banking Corporation, Belle Corporation, and Atlas Consolidated Mining and Development Corporation. Mr. Sio is also Adviser to the Board of Directors of BDO Unibank, Inc. and Premium Leisure Corporation. Mr. Sio holds a master's degree in Business Administration from New York University, is a certified public accountant and was formerly a senior partner at SyCip Gorres Velayo & Co. Mr. Sio was voted as CFO of the Year in 2009 by Financial Executives of the Philippines (FINEX). He was also awarded as Best CFO (Philippines) in various years by several Hong Kong-based business publications.

Vicente S. Perez, Jr., * is an Independent Director of SMIC. His career has ranged from international banker, debt trader, investment bank partner, private equity investor to cabinet secretary. He is the Chief Executive Officer of Alternergy, and Chairman of Merritt Partners. He was the youngest and longest serving Secretary of the Department of Energy. In 2001, he briefly served as Undersecretary for Industry and Investments at the Department of Trade and Industry and Managing Head of the Board of Investments. He is a member of the WWF-International Board. Mr. Perez also currently serves as an independent director of Double Dragon Properties Corp. and ST Telemedia. Mr. Perez is a member of the advisory boards of Coca-Cola FEMSA Phils., Pictet Clean Energy Fund, Roxas Holdings, and the Yale Center for Business and Environment. He obtained his master's degree in Business Administration from the Wharton School of the University of Pennsylvania, and his bachelor's degree in Business Economics from the University of the Philippines. He was a 2005 World Fellow at Yale University where he lectured an MBA Class on renewable power in emerging countries.

Ah Doo Lim, * a Singaporean, is an Independent Director of SMIC. He is currently an Independent Director and Member of the Audit Committee of ST Engineering Ltd., one of the largest companies listed on Singapore Exchange, and of ARA-CWT Trust Management (Cache) Ltd., GP Industries Ltd., GDS Holdings Limited, and U Mobile Sdn Bhd. He is also a Director of Sembcorp Marine Ltd., a world leading offshore rig builder and of Bracell Limited (formerly known as Sateri Holdings Limited), a world leader in the specialty cellulose industry. He obtained a degree in Engineering from Queen Mary College, University of London in 1971, and a Master's Degree in Business Administration from Cranfield School of Management, England in 1976.

Joseph R. Higdon,* an American, is an Independent Director of SMIC. Until his retirement, he was a Senior Vice-President of Capital Research and Management Company, a United States investment company. He joined Capital Research in 1974 and worked there until 2006. He analyzed Philippine Stocks from 1989 until 2006. He was a US Peace Corps volunteer in the Philippines from 1962 to 1964. He is also an Independent Director of International Container Terminal Services, Inc. and Security Bank Corporation. For six years until 2012, he served as a member of the Advisory Board for the Coca-Cola Bottling Company, Philippines.

** Independent director – the Company has complied with the Guidelines set forth by SRC (Securities Regulation Code) Rule 38 regarding the Nomination and Election of Independent Director. The Company's By-Laws incorporate the procedures for the nomination and election of independent director/s in accordance with the requirements of the said Rule.*

Period of Directorship

Name	Period Served
Henry Sy, Sr.	1960 to present
Teresita T. Sy	1979 to present
Henry T. Sy, Jr.	1979 to present
Harley T. Sy	1993 to present
Jose T. Sio	2005 to present
Vicente S. Perez, Jr.	2005 to present

Name	Period Served
Ah Doo Lim	2008 to present
Joseph R. Higdon	2010 to present

Directorships in Other Reporting Companies

The following are directorships held by Directors and Executive Officers in other reporting companies during the last five years:

Name of Director	Name of Reporting Company	Position Held
Teresita T. Sy	BDO Unibank, Inc.	Chairperson
	SM Prime Holdings, Inc.	Adviser to the Board
Henry T. Sy, Jr.	SM Prime Holdings, Inc.	Chairman
Harley T. Sy	China Banking Corporation	Director
Jose T. Sio	China Banking Corporation	Director
	Belle Corporation	Director
	Atlas Consolidated Mining and Development Corporation	Director
	BDO Unibank, Inc.	Adviser to the Board
	Premium Leisure Corporation	Adviser to the Board
Vicente S. Perez, Jr.	DoubleDragon Properties Corp.	Independent Director
Ah Doo Lim	ST Engineering Ltd.	Director
	Sembcorp Marine Ltd.	Director
	GP Industries Ltd.	Director
	Bracell Limited	Director
	ARA-CWT Trust Management (Cache) Ltd.	Director
Joseph R. Higdon	International Container Terminal Services, Inc.	Independent Director
	Security Bank Corporation	Independent Director

The following are the business experience/s of the members of the Board during the last five years:

Elmer B. Serrano is the Corporate Secretary and Compliance Officer of SMIC and Corporate Secretary of SM Prime since November 2014. He is Name Partner of the law firm of Martinez Vergara Gonzalez & Serrano and has been practicing corporate law for over two decades. Atty. Serrano is currently the Corporate Information Officer of BDO Unibank, Inc. He is also the Corporate Secretary of Premium Leisure Corporation, Premium Leisure Amusement Incorporation, Crown Equities, Inc., and Corporation Secretary of subsidiaries of BDO Unibank, Inc. namely, BDO Capital & Investment Corporation, BDO Securities Corporation, BDO Insurance Brokers, Inc., and Averon Holding Corporation. He was a director of OCLP Holdings, Inc. until November 2014. He is a graduate of the Ateneo Law School and holds a degree of B.S. Legal Management from the Ateneo de Manila University.

Marianne Malate-Guerrero is Senior Vice President, Legal Department Head, Alternate Compliance Officer and Assistant Corporate Secretary of SMIC. She is also Assistant Corporate Secretary of SM Prime Holdings, Inc. She formerly worked as Senior Vice President and Legal Department Head of United Overseas Bank Philippines. Previous to that, she was Vice President and Legal Officer of Solidbank Corporation. She began her practice with the law firm of Castillo Laman Tan & Pantaleon Law office. She graduated from the Ateneo School of Law in 1988.

Period of Membership

Name	**Office**	**Period Served**
Elmer B. Serrano	Corporate Secretary and Compliance Officer	2014 to present
Marianne Malate-Guerrero	Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	2014 to present

Nomination of Directors

The Nomination Committee created by the Board under its Corporate Governance Manual has reviewed the credentials of and qualified the following for election to the Board of Directors at the forthcoming Annual Stockholders' Meeting:

1. Henry Sy, Sr.
2. Teresita T. Sy
3. Henry T. Sy, Jr.
4. Harley T. Sy
5. Jose T. Sio
6. Ah Doo Lim (Independent Director)
7. Joseph R. Higdon (Independent Director)
8. Tomasa H. Lipana

Ms. Sharone Ong King nominated to the Board, for inclusion in the Final List of Candidates for Independent Director, the following stockholders:

1. Ah Doo Lim
2. Joseph R. Higdon
3. Tomasa H. Lipana

Ms. Sharone Ong King, Mr. Ah Doo Lim, Mr. Joseph Higdon and Ms. Tomasa H. Lipana are not related either by consanguinity or affinity, nor has any other professional / business dealings with each other.

The Company has complied with the Guidelines set forth by SRC Rule 38 regarding the Nomination and Election of Independent Director. The same provision has been incorporated in the Amended By-Laws of the Company.

The Directors of the Company are elected at the Annual Stockholders' Meeting to hold office until the next succeeding annual meeting and until their respective successors are appointed or elected and qualified. The abovementioned nominated persons will be presented to the Company's shareholders for election at the coming annual stockholders' meeting. The nominated individuals possess all the qualifications and none of the disqualifications provided in the SRC and its Implementing Rules and Regulations. Further, no director has resigned or declined to stand for re-election to the Board of Directors since the date of the last Annual Shareholders' Meeting because of a disagreement with the Company on any matter relating to its operations, policies or practices.

The business experience of Ms. Tomasa H. Lipana, who has been nominated and qualified by the Nomination Committee for election as Independent Director of the Company is as follows:

Tomasa H. Lipana is a former Chairman and Senior Partner of Isla Lipana & Co., the Philippine member firm of PricewaterhouseCoopers. She is an independent director and Audit Committee Chairperson of Flexo Manufacturing Corporation, Goldilocks Bakeshop, Inc., PhilExim/Trade and Development Corporation, and QBE Seaboard Insurance, Philippines, Inc. She is also a Trustee of the Canadian Chamber of Commerce of the Philippines, and Sikat Solar Challenge Foundation, Inc. She also served as Independent Director and Audit Committee Chairperson of Inter-Asia Development Bank. She is a fellow of the Institute of Corporate Directors. Mrs. Lipana took up Executive Education/Management Development Programs at Harvard Business School, University of Western Ontario, and Asian Institute of Management. She received the Outstanding CPA in Public Practice Award from the Philippine Institute of Certified Public Accountants and Outstanding Alumna Award from the University of the East where graduated Cum Laude. She was also a CPA Board placer.

The procedure for nomination of directors shall be as follows:

- Nomination of all directors shall be reviewed and passed upon by the Nomination Committee prior to the stockholders' meeting.

- The Nomination Committee shall prepare a Final List of Candidates from those who have passed the Guidelines, Screening Policies and Parameters for nomination of Independent Directors and which list shall contain all the information about these nominees.

- Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director. No other nomination shall be entertained or allowed on the floor during the actual annual stockholders' meeting.

- In case of resignation, disqualification or cessation of Independent Directorship and only after notice has been made with the Commission within five (5) days from such resignation, disqualification or cessation, the vacancy shall be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum, upon the nomination of the Nomination Committee otherwise, said vacancies shall be filled by stockholders in a regular or special meeting called for that purpose. An Independent Director so elected to fill a vacancy shall serve only for the unexpired term of his or her predecessor in office.

- The Nomination Committee is composed of the following members, all of whom are Independent Directors:

  1. Joseph R. Higdon - Chairman (Independent director)
  2. Ah Doo Lim - Member (Independent director)
  3. Vicente S. Perez, Jr. - Member (Independent director)

All new directors undergo an orientation program soon after date of election. This is intended to familiarize the new directors on their statutory/fiduciary roles and responsibilities in the Board and its Committees, SMIC's strategic plans, enterprise risks, group structures, business activities, compliance programs, Code of Business Conduct and Ethics, Personal Trading Policy and Corporate Governance Manual.

All directors are also encouraged to participate in continuing education programs at SMIC's expense to promote relevance and effectivity and to keep them abreast of the latest developments in corporate directorship and good governance.

Officers

Frederic C. DyBuncio is Executive Vice President, Investments Portfolio of SMIC. Prior to joining SMIC, he was a career banker who spent over 20 years with JPMorgan Chase and its predecessor institutions. During his stint in the banking industry, he was assigned to various managerial/executive positions where he gained substantial professional experience in the areas of credit, relationship management and origination, investment banking, capital markets, and general management. He has worked and lived in several major cities including New York, Seoul, Bangkok, Hong Kong and Manila. He obtained his undergraduate degree in Business Management from the Ateneo de Manila University, and his master's degree in Business Administration from the Asian Institute of Management.

Grace F. Roque is the Treasurer of SMIC. She is also the Director of Metro Manila Shopping Mecca and of Mercantile Stores Group, Inc. She is also the Treasurer and Director of HFS Corporation, Mindanao Shoppers Daily Destination Corp., and SM Arena Complex Corp. She holds a Bachelor Degree in Economics from Maryknoll College and a Masters in Business Administration Degree from the University of the Philippines.

Elizabeth Anne C. Uychaco is Senior Vice President, Corporate Services of SMIC. She is also the Vice Chairperson and Board Director of Belle Corporation, and Board Director of Megawide Construction Corporation, Republic Glass Holdings Corp., and Generali Pilipinas Holding Company, Inc. She was formerly Senior Vice President and Chief Marketing Officer of Philippine American Life Insurance Company and Board Director of Philam Call Center. Prior to that, she was Vice President of Globe Telecom, Inc., Kuok Philippine Properties, Inc. and Transnational Diversified Corp. Ms. Uychaco graduated from St. Scholastica's College in 1978 with a Bachelor of Arts Degree. She obtained a Master's Degree in Business Economics from the University of Asia and the Pacific in 1988 and a Master's Degree in Business Administration from the Ateneo Business School in 1992.

Franklin C. Gomez is Senior Vice President for Finance of SMIC. Prior to joining SMIC in 2013, he spent over 20 years at Unilever where he held several senior positions, his last being Finance Director and Chief Financial Officer of Unilever Indonesia since May 2009. His previous senior posts in the same company include Chief Financial Officer at Unilever Philippines; Innovation and Learning Director at the Finance Excellence Centre in London; and Finance Director of Selecta Wall's Ice Cream, Philippines. Mr. Gomez holds a Bachelor of Arts in Economics and Bachelor of Science in Commerce Major in Accountancy from De La Salle University, Manila.

Cecilia Reyes-Patricio is the Senior Vice President, Corporate Tax Department of SMIC. Prior to joining SMIC in 1988, she was a financial and tax auditor at SyCip, Gorres, Velayo & Co. She holds a Master of Science degree (with highest honors) in Commerce, Major in Taxation, from the Manuel Luis Quezon University. A Certified Public Accountant, she graduated Magna Cum Laude with a Bachelor of Science degree in Business Administration from the University of the East.

Corazon P. Guidote is Senior Vice President for Investor Relations of SMIC. She was formerly a Presidential Consultant for Investor Relations and Executive Director of the Investor Relations Office of the Republic of the Philippines. Prior to government service, she was a Director and Chief Operating Officer of ABN AMRO Asia Securities Philippines, Group Vice President for Corporate Communications and Investor Relations at Metro Pacific Corporation, and Managing Director of Citibank Securities, Philippines, Inc. and UBS Securities Phils., Inc. Ms. Guidote also served as Equities Research Head in Peregrine Securities, Inc., Barclays de Zoete Wedd (BZW), and Vickers da Costa. A Certified Public Accountant, Ms. Guidote is a Bachelor of Science graduate of the University of Santo Tomas.

She holds a Masters degree in Applied Business Economics from the University of Asia and the Pacific and is a Chevening Fellow of the United Kingdom Foreign and Commonwealth Office. She is also a fellow at the Institute of Corporate Directors.

Wilson H. Go is Senior Vice President of Information Technology of SMIC. He is also the President of LearningLitz, Inc. and of the Blue Genes. Prior to joining the company, Mr. Go held numerous senior level positions with IBM, which expanse a period of 30 years. His past designations include Country Manager – Global Technology Services, ASEAN Corporate Development Executive, and Asia Pacific Intellectual Property Licensing Business Development Executive, to name a few. Mr. Go holds a master's degree in Business Economics from the University of Asia and the Pacific and a Bachelor's degree in Commerce, Major in Accounting from De La Salle University, and is also a Certified Public Accountant.

Marcelo C. Fernando, Jr. is Senior Vice President for Group Treasury of SMIC. He joined the company last August 5, 2015. Prior to joining the company, he spent a combined 31 years in the banking industry, 29 of them with Citibank, N.A. His banking experience was mainly in the Markets business which was involved in the sales, trading and structuring of currencies, fixed income, money markets and commodities products and their derivatives. He was also responsible for liquidity management and balance sheet funding and gapping activities as Country Treasurer in the Philippines and during his posting in Thailand. Mr. Fernando also had regional responsibilities as Citibank's Markets Head for the ASEAN cluster which covered Indonesia, Malaysia, Philippines, Thailand and Vietnam. He obtained his Bachelor of Arts degree in Economics from the University of the Philippines, Diliman (Cum Laude), and graduated with Distinction from the Masters in Business Management program of the Asian Institute of Management.

Period of Officership

Name	Office	Period Served
Harley T. Sy	President	2005 to present
Jose T. Sio	Executive Vice President and Chief Financial Officer	2005 to present
Frederic C. DyBuncio	Executive Vice President - Investment Portfolio	2011 to present
Grace F. Roque	Treasurer and Senior Vice President	2010 to present
Marianne Malate-Guerrero	Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	2006 to present
Elizabeth Anne C. Uychaco	Senior Vice President - Corporate Services	2009 to present
Franklin C. Gomez	Senior Vice President - Finance	2013 to present
Cecilia Reyes-Patricio	Senior Vice President - Taxes	2010 to present
Corazon P. Guidote	Senior Vice President - Investor Relations	2006 to present
Wilson H. Go	Senior Vice President - Information Technology	2015 to present
Marcelo C. Fernando, Jr.	Senior Vice President - Group Treasury	2015 to present

Directorships in Other Reporting Companies

The following are directorships held by Officers in other reporting companies during the last five years:

Name of Director	Name of Reporting Company	Position Held
Frederic C. DyBuncio	Atlas Consolidated Mining and Development Corporation	Vice Chairman
	Belle Corporation	President/CEO/Director
	Premium Leisure Corp.	President/CEO/Director
	Pacific Online Systems Corporation	Director
Elizabeth Anne C. Uychaco	Belle Corporation	Vice Chairperson/Director
	Megawide Construction Corporation	Director
	Republic Glass Holdings Corp.	Director

Nomination of Officers:

The following will be nominated as officers at the organizational meeting of the Board of Directors:

Office	Name
Chairman	Henry Sy, Sr.
Vice Chairperson	Teresita T. Sy
Vice Chairman	Henry T. Sy, Jr.
President	Harley T. Sy
Executive Vice President & CFO	Jose T. Sio
Treasurer and Senior Vice President	Grace F. Roque
Executive Vice President - Investment Portfolio	Frederic C. DyBuncio
Senior Vice President - Legal, Alternate Compliance Officer and Asst. Corp. Secretary	Marianne Malate-Guerrero
Senior Vice President - Corporate Services	Elizabeth Anne C. Uychaco
Senior Vice President - Finance	Franklin C. Gomez
Senior Vice President - Taxes	Cecilia Reyes-Patricio
Senior Vice President - Investor Relations	Corazon P. Guidote
Senior Vice President - Information Technology	Wilson H. Go
Senior Vice President - Group Treasury	Marcelo C. Fernando, Jr.
Corporate Secretary and Compliance Officer	Elmer B. Serrano

(b) Significant Employees

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

(c) Family Relationships

Mr. Henry Sy, Sr. is the father of Teresita T. Sy, Elizabeth T. Sy, Henry T. Sy, Jr., Hans T. Sy, Herbert T. Sy and Harley T. Sy. All other directors and officers are not related either by consanguinity or affinity. There are no other family relationships known to the registrant other than the ones disclosed herein.

(d) Certain Relationships and Related Transactions

There are no known related party transactions other than those described in Note 22 (Related Party Transactions) of the Notes to the Consolidated Financial Statements incorporated herein by reference.

(e) Involvement in Legal Proceedings

The Company is not aware of any of the following events having occurred during the past five years up to the date of this report that are material to an evaluation of the ability or integrity of any director, nominee for election as Director, executive officer, underwriter or controlling person of the Company:

(1) any bankruptcy petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time;
(2) any conviction by final judgment, including the nature of the offense, in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses;
(3) being subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and
(4) being found by a domestic or foreign court of competent jurisdiction (in a civil action), the SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.
(5) a securities or commodities law or regulation, and the judgment has not been reversed, suspended or vacated.

ITEM 6. Compensation of Directors and Executive Officers

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

Name and Position

1. Harley T. Sy
   President*
2. Jose T. Sio
   Executive Vice President & CFO*
3. Elizabeth Anne C. Uychaco
   Senior Vice President - Corporate Services*
4. Franklin C. Gomez
   Senior Vice President – Finance*
5. Frederic C. Dybuncio
   Executive Vice President - Investment Portfolio*

Summary Compensation Table (in million pesos)

	Year	Salary	Bonus	Other Annual Compensation
* CEO and four Most	2016 (estimate)	85	14	4
Highly Compensated	2015	77	13	3
Executive Officers	2014	69	12	3
All other officers and	2016 (estimate)	159	26	7
Directors as a group	2015	144	24	6
unnamed	2014	136	23	6

The Chairman of the Board receives P20,000.00 per diem for each board meeting. All the other directors receive P10,000.00. Aside from the aforementioned compensation, these officers do not receive any other form of remuneration.

There are no outstanding warrants or options held by directors and officers. There are no actions to be taken with regard to election, any bonus or profit-sharing, change in pension/retirement plan, granting of or extension of any options, warrants or rights to purchase any securities.

The members of the Compensation and Remuneration Committee are:

1. Teresita T. Sy - Chairperson
2. Jose T. Sio - Member
3. Vicente S. Perez, Jr. - Member (Independent Director)

ITEM 7. Independent Public Accountants, External Audit Fees and Services

Sycip, Gorres, Velayo & Company (SGV & Co.) is the external auditor for the current year. The same external auditor will be recommended for re-appointment at the scheduled stockholders' meeting. Representatives of the said firm are expected to be present at the stockholders' meeting and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions.

Pursuant to SRC Rule 68, Paragraph 3 (b) (iv) and (ix) (Rotation of External Auditors) which states that the signing partner shall be rotated after every five (5) years of engagement with a two-year cooling off period for the re-engagement of the same signing partner, the Company engaged Ms. Belinda Beng Hui of SGV & Co. for the examination of the Company's financial statements from 2013 to 2015. Previously, the Company engaged Mr. Ramon D. Dizon, Ms. Melinda G. Manto and Mr. Joel M. Sebastian of SGV & Co. for the examination of the Company's financial statements from 2008 to 2012, 2006 to 2007 and 2001 to 2005, respectively.

The aggregate fees of SGV & Co. for the audit of SMIC's annual financial statements in connection with the statutory and regulatory filings for the years ended December 31, 2015 and 2014 amounted to P2.0 million and P1.9 million respectively. Services rendered include the audit of yearend financial statements and supplementary schedules for submission to SEC and assistance in the preparation of annual income tax returns. For its bond issuance in 2014, SMIC paid P11.2 million to SGV & Co. for the review of its interim financial statements. There were no other professional services rendered by SGV & Co. during the period.

SMIC did not engage any other firm for tax accounting, compliance, advice, planning and any form of tax services covering the years 2015 and 2014.

The Audit and Risk Management Committee recommends to the Board of Directors the appointment of the external auditor and the fixing of the audit fees. The Board of Directors and stockholders approve the Committee's recommendation.

The members of the Audit and Risk Management Committee are:

1. Vicente S. Perez Jr. - Chairman (Independent Director)
2. Ah Doo Lim - Member (Independent Director)
3. Teresita T. Sy - Member
4. Serafin U. Salvador - Adviser
5. Jose T. Sio - Adviser

ITEM 8. Compensation Plans

No action is to be taken with respect to any plan pursuant to which cash or non-cash compensation may be paid or distributed.

C. ISSUANCE AND EXCHANGE OF SECURITIES

ITEM 9. Authorization or Issuance of Securities Other than for Exchange

(a) Title and amount of securities to be issued

Declaration of a 50% stock dividend for each outstanding common share as of record date to all common shareholders of the Company equivalent to approximately 401,527,702 common shares with a par value of P10.00 per share.

(b) Description of securities

The existing authorized capital stock of the Company is P12,000,000,000 divided into 1,190,000,000 common shares and 10,000,000 non-voting, cumulative and redeemable preferred shares both classes with a par value of P10.00 per share. The Company is proposing to increase the authorized capital stock by P16,000,000,000 consisting of 1,600,000,000 common shares with a par value of P10.00 per share.

The common shares may be owned or subscribed by or transferred to any person, partnership, association or corporation regardless of nationality, provided that at any time at least 60% of the outstanding capital stock shall be owned by citizens of the Philippines or by partnerships, associations, or corporation 60% of the voting stock or voting power of which is owned and controlled by citizens of the Philippines.

Shares of common stock are entitled to vote and to dividends in accordance with law subject to the provisions of the Amended Articles of Incorporation. Article 7 of the Company's Amended Articles of Incorporation provides, "no holder of any class of shares in the Corporation shall be entitled as of right to subscribe for, purchase or receive any part of any new or additional issue or sale of stock of any class, whether now or hereafter authorized, or of any bonds, debentures or other securities convertible into stock of any class; and all such additional shares of stock, bonds, debentures or other securities convertible into stock may be issued to such person or persons and on such terms and for such consideration (so far as may be permitted by law) as the Board of Directors, in their absolute discretion may deem advisable.

(c) Description of transaction in which the securities are to be issued

No amount of consideration will be received by the Company in the declaration of the 50% stock dividend.

(d) Reason for the proposed issuance

The issuance is pursuant to the declaration of the 50% stock dividends and will constitute the minimum subscription and paid up requirement to the proposed increase in authorized capital stock.

The capital increase will enable the Company to have sufficient shares of stock to be able to fulfill the proposed declaration of stock dividends, and will allow the Company the capability and flexibility for any future capital initiatives. With the availability of sufficient unissued capital stock, the Company will be ready to take advantage of opportunities as they arise.

(e) There are no provisions in the Company's Articles of Incorporation or By-Laws that would delay, defer or prevent a change in control of the Company.

(f) The 50% stock dividends and the proposed increase in authorized capital stock from P12,000,000,000 to P28,000,000,000 was approved by the Board of Directors in its March 2, 2016 meeting subject for ratification of 2/3 vote of the stockholders in a meeting to be held on the same date.

ITEM 10. Modification or Exchange of Securities

No action will be presented for stockholders' approval at this year's annual meeting which involves the modification of any class of SMIC's securities, or the issuance of one class of SMIC's securities in exchange for outstanding securities of another class.

ITEM 11. Financial and Other Information

The Management Report and Audited Financial Statements of SMIC are incorporated herein by reference.

Representatives of SMIC's external auditor, SGV & Co., are expected to be present at the annual meeting, and they will have the opportunity to make a statement if they desire to do so and are expected to be available to respond to appropriate questions from the stockholders. SMIC has had no material disagreement with SGV & Co. on any matter of accounting principle or practices or disclosures in SMIC's financial statements.

ITEM 12. Mergers, Consolidations, Acquisitions and Similar Matters

No action will be presented for stockholders' approval at this year's annual meeting in respect of (1) the merger or consolidation of SMIC into or with any other person, or of any other person into or with SMIC, (2) acquisition by SMIC or any of its stockholders of securities of another person, (3) acquisition by SMIC of any other going business or of the assets thereof, (4) the sale or transfer or all or any substantial part of the assets of SMIC, or (5) liquidation or dissolution of SMIC.

ITEM 13. Acquisition or Disposition of Property

The Company and its subsidiaries purchased and sold parcels of land in the normal course of their business.

No action will be presented for stockholders' approval at this year's annual meeting in respect of any acquisition or disposition of property of SMIC.

ITEM 14. Restatement of Accounts

No action will be presented for stockholders' approval at this year's annual meeting which involves the restatement of any of SMIC's assets, capital or surplus account.

D. OTHER MATTERS

ITEM 15. Action with Respect to Reports

There is no action to be taken with respect to any report of SMIC or of its directors, officers or committees, except for the approval of the minutes of the previous annual meeting of SMIC.

At the annual meeting, stockholders will be asked to approve and ratify the acts of the Board of Directors during their term of office. The matters for stockholders' ratification are acts of the Board, its Committees and Management for the previous year up to the date of the annual meeting which were entered into or made in the ordinary course of business, the significant acts or transactions of which are covered by appropriate disclosures with the Securities and Exchange Commission and Philippine Stock Exchange, Inc., including:

I. Amendment of By-laws regarding proxy validation procedure, procedure for nomination of directors, and required quorum for Board of Directors (BOD) meetings;
II. Appointment of Marcelo C. Fernando as SVP, Group Treasury;
III. Appointment of Mr. Roberto G. Manabat as Adviser to the Board of Directors;
IV. Declaration of stock dividends; and,
V. Increase in the Company's authorized capital stock.

There are no other matters that would require approval of the stockholders.

ITEM 16. Matters Not Required To Be Submitted

There is no action to be taken with respect to any matter which is not required to be submitted to a vote of security holders.

ITEM 17. Amendment of Charter, By-Laws or Other Documents

Upon ratification by the stockholders, the Amended Articles of Incorporation of the Company will be further amended to reflect the capital increase from P12,000,000,000 divided into 1,190,000,000 common shares and 10,000,000 non-voting, cumulative and redeemable preferred shares both with par value of P10.00 each to P28,000,000,000 divided into 2,790,000,000 common shares and 10,000,000 non-voting, cumulative and redeemable preferred shares both with par value of P10.00 each.

ITEM 18. Other Proposed Action

Other than the matters indicated in the Notice and Agenda included in this Information Statement, there are no other actions proposed to be taken at the annual meeting.

ITEM 19. Voting Procedures

At each stockholders' meeting, holders of a majority of SMIC's issued and outstanding voting shares that are present or represented by proxy, shall constitute a quorum for the transaction of business, except where otherwise provided by law. A majority of votes shall decide any matter submitted to the stockholders at the meeting, except in those cases where the law requires a greater number.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part I. B, Item 4(c) of this Information Statement.

All matters subject to vote, except in cases where the law provides otherwise, shall be decided by the plurality vote of stockholders present in person or by proxy and entitled to vote thereat, a quorum being present.

SMIC's By-Laws does not prescribe a manner of voting. However, election of directors may be conducted by ballot as requested by voting stockholders.

In the election of directors, the stockholders are entitled to cumulate their votes as discussed in Part B, Item 4(c) of this Information Statement.

SMIC's Corporate Secretary is tasked and authorized to count votes on any matter properly brought to the vote of the stockholders. The external auditor of the Company, SGV & Co. has been appointed to validate the ballots when necessary.

Stockholders holding SMIC common shares as of March 28, 2016 are entitled to vote on the following matters which are also indicated in the Notice and Agenda included in this Information Statement:

1. Approval of the minutes of the previous annual meeting held on April 29, 2015

The stockholders' approval of the minutes of the meeting held on April 29, 2015 will be sought at this year's annual meeting. The following was the agenda of the said meeting.

- Call to order.
- Certification of notice and quorum.
- Approval of minutes of the special meeting of stockholders held on April 30, 2014.
- Presentation of the President's Report.
- General ratification of the acts of the Board of Directors and the management from the date of the last annual stockholders' meeting up to the date of this meeting.
- Election of directors for 2015 – 2016 (including Independent Directors).
- Appointment of external auditors.
- Other Matters.
- Adjournment.

Required vote: A majority vote of stockholders present or represented at the meeting.

2. Audited Financial Statements as of December 31, 2015

SMIC's Audited Financial Statements as of December 31, 2015 is attached as Annex "A" to this Information Statement for review of the stockholders. This will enable the stockholders to assess the financial performance of SMIC for the period covered by said financial statements. Stockholders' approval of the financial statement will be sought at this year's annual meeting.

Required vote: A majority vote of stockholders present or represented at the meeting.

3. Approval and ratification of acts of the Board of Directors during their term of office

During their term, the Board approved resolutions and authorized actions in connection with their mandate to direct, manage and supervise the affairs and operations of SMIC. The acts of the Board of Directors, its Committees and management listed in Part D, Item 15, during their term of office, will be presented to the stockholders for approval and ratification. In compliance with the PSE Disclosure Rules, the Securities Regulation Code and its implementing rules, and in keeping with the policy on transparency as embodied in SMIC's Manual on Good Corporate Governance, SMIC regularly and promptly discloses actions taken by its Board and management. While stockholders' approval of such acts is not required under the Corporation Code and regulatory issuances, SMIC believes it to be sound corporate governance to present these to the stockholders for approval and ratification.

Required vote: A majority vote of stockholders present or represented at the meeting.

4. Declaration of 50% Stock Dividend

This 50% stock dividend is a special dividend.

Required vote: Two-thirds of the outstanding capital stock of the Company.

5. Approval of increase in authorized capital stock from P12,000,000,000 to P28,000,000,000 and the amendment of Article Seven of the Amended Articles of Incorporation to reflect the capital increase

At the annual meeting, stockholders will be asked to approve the increase in the authorized capital stock of the Company, as well as the amendment of the Articles of Incorporation to reflect such capital increase. Such increase will ensure that the Company will have sufficient shares to be able to fulfill the proposed declaration of stock dividends and to allow the Company the capability and flexibility for any future capital initiatives. Further, with the availability of sufficient unissued capital stock, the Company will be ready to take advantage of opportunities as they arise.

Required vote: Two-thirds of the outstanding capital stock of the Company.

6. Election of Directors

At the annual meeting, stockholders will be asked to elect the directors for the ensuing year. As stated in Section 3 of Article IV of the Company's By-Laws, "At each meeting of the stockholders for the election of directors, at which a quorum is present, the persons receiving the highest number of votes of the stockholders present in person or by proxy and entitled to vote shall be the directors."

Section 24 of The Corporation Code of the Philippines states that "At all elections of directors or trustees, there must be present, either in person or by representative authorized to act by written proxy, the owners of a majority of the outstanding capital stock… entitled to vote".

Required vote: Candidates receiving the highest number of votes shall be declared elected.

7. Appointment of External Auditor

Pursuant to SMIC's By-laws, Manual on Corporate Governance, and Audit and Risk Management Committee Charter, the Board, upon the recommendation of the Board Audit and Risk Management Committee, shall recommend to the stockholders, appointment of an external auditor to undertake independent audit and provide objective assurance that the Company's financial reports are in compliance with pertinent accounting standards and regulatory requirements.

At the annual meeting, the stockholders will be requested to approve the re-appointment of SGV & Co. as external auditor of SMIC for the ensuing fiscal year.

Required vote: A majority vote of stockholders present or represented at the meeting.

PART III

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in Pasay City on March 17, 2016.

By: **SM INVESTMENTS CORPORATION**

ELMER B. SERRANO
Corporate Secretary and
Compliance Officer

MANAGEMENT REPORT

A.i Consolidated Audited Financial Statements

The Company's consolidated financial statements for the year ended December 31, 2015 are incorporated herein by reference.

A.ii Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There were no changes in and disagreements with accountants on accounting and financial disclosures.

A.iii Management's Discussion and Analysis or Plan of Operation

Calendar Year Ended December 31, 2015 and 2014

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2015	12 / 31 / 2014	% Change
Revenue	**P 295.9**	**P 276.6**	**7.0%**
Cost and Expenses	239.0	224.1	6.6%
Income from Operations	**56.9**	**52.5**	**8.5%**
Other Income (Charges)	(7.2)	(6.0)	20.4%
Provision for Income Tax	9.4	7.6	23.5%
Minority Interest	11.9	10.5	13.2%
Net Income Attributable to Equity Holders of the Parent	**P 28.4**	**P 28.4**	**0.2%**

SM Investments Corporation and Subsidiaries (the Group) reported a *Net Income Attributable to Equity Holders of the Parent* of P28.4 billion and *Revenues* of P295.9 billion in 2015. This represents a 0.2% increase in *Net Income Attributable to Equity Holders of the Parent* and 7.0% growth in *Revenues*.

Income from Operations increased by 8.5% to P56.9 billion from P52.5 billion in 2014. *Operating Margin* and *Net Margin* is at 19.2% and 9.6%, respectively.

Merchandise Sales, which grew by 7.2% to P211.4 billion from P197.1 billion in 2014, accounts for 71.4% of total revenues in 2015. The increase is attributable to the opening of new stores in 2015 as follows:

	SM Department Stores	***SM Supermarkets***	***Savemore Stores***	***SM Hypermarkets***
1	SM San Mateo	San Mateo	Savemore Salawag	Lapu-Lapu
2	SM Cabanatuan	Cabanatuan	Savemore San Fernando, La Union	Cherry Congressional
3	SM Cebu SRP	Cherry Shaw	Savemore M. Alvarez	-
4	-	Sangandaan	Savemore Talavera	-
5	-	Seaside Cebu	Savemore Light Residences	-

	SM Department Stores	*SM Supermarkets*	*Savemore Stores*	*SM Hypermarkets*
6	-	-	Savemore Binalonan	-
7	-	-	Savemore Muzon	-
8	-	-	Savemore Naga Cebu	-
9	-	-	Savemore Echague, Isabela	-
10	-	-	Savemore City Mall Consolacion	-
11	-	-	Savemore Banlic	-
12	-	-	Savemore Subic	-
13	-	-	Savemore Dinalupihan	-
14	-	-	Savemore Nasugbu	-
15	-	-	Savemore Sorsogon 2	-
16	-	-	Savemore Silay	-
17	-	-	Savemore City Mall Imus	-
18	-	-	Savemore My Place South Triangle	-
19	-	-	Savemore La Trinidad	-
20	-	-	Savemore Citywalk	-
21	-	-	Savemore Binangonan	-
22	-	-	Savemore Alaminos Pangasinan	-
23	-	-	Savemore Sta. Ana	-
24	-	-	Savemore Cabuyao	-

The *Non-Food* and *Food Group* comprised 40% and 60%, respectively, of merchandise sales in 2015 and 2014.

As of December 31, 2015, *SM Retail* had 310 stores nationwide, namely: 53 *SM Stores*, 45 *SM Supermarkets*, 136 *Savemore* stores, 44 *SM Hypermarkets* and 32 *WalterMart* stores.

Real Estate Sales slightly decreased to P22.5 billion from P22.6 billion in 2014 or 0.4% due primarily to lower revenue recognized from larger projects launched in 2010 and 2011 as these were mostly completed in 2015. The bulk of revenues to be recognized for projects launched in 2013 and 2014, which enjoyed brisk sales, will begin in 2016 when actual construction begins. The actual construction of a project usually starts within 12 to 18 months from launch date and revenue is recognized based on percentage of completion.

Real Estate Gross Margin improved from 44.6% in 2014 to 45.7% in 2015. This is attributable to efficient management and tighter monitoring and control of construction costs.

Rent Revenues, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 10.3% to P36.0 billion from P32.6 billion in 2014. The increase in *Rent Revenues* is primarily due to the new malls which opened in 2013, 2014 and 2015, namely, *SM Aura Premier* in Taguig, *SM City BF Parañaque* and *SM City Cauayan* in Isabela province as well as the expansion of shopping spaces in Mega Fashion Hall in *SM Megamall* in Mandaluyong*, SM Center Angono and SM City San Mateo* in Rizal province, and *SM City*

Bacolod in Negros Occidental province for a total gross floor area (GFA) addition of 728,000 square meters. Excluding the new malls and expansions, same-store rental growth is 7%. Rent from commercial operations also increased due to the opening of SM Cyber West and Five E-Com Center with an average occupancy rate of 98%. Rentals from hotels and convention centers also contributed to the increase due to improvement in average room rates and occupancy rates.

As of December 31, 2015, *SM Prime* has 56 malls in the Philippines with total GFA of 7.3 million square meters and 6 malls in China with total GFA of 0.9 million square meters.

Cinema and Event Ticket Sales and *Amusement Revenues* increased by 11.4 % to P6.4 billion from P5.8 billion in 2014 due to blockbuster movies shown in 2015 and increase in amusement revenues due mainly to the opening of *Sky Ranch* Pampanga.

*Equity in Net Earnings of Associate Companies and Joint Venture*s increased by 6.4% to P14.1 billion from P13.2 billion in 2014. This is attributable mainly to the 9.7% increase in net income of BDO.

Gain (Loss) on Sale of Available-for-sale (AFS) Investments and Fair Value Changes on Investments Held for Trading -net decreased by 111.2% to loss of P5.4 million in 2015 from gain of P48.5 million in 2014 due primarily to the gain on sale of AFS investments in 2014.

Dividend Income increased by 13.4% to P0.7 billion in 2015 from P0.6 billion in 2014 due to higher dividends received from certain investees.

Management and Service Fees remained at P1.4 billion in 2015 and 2014.

Other Revenues, which comprise mainly of income for promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues, food and beverage income of the Hotel Group increased by 6.6% to P3.4 billion in 2015 from P3.2 billion in 2014.

Operating Expenses increased by 4.9% to P63.7 billion from P60.7 billion in 2014 due mainly to additional operating expenses associated with new or renovated retail stores and malls and new real estate projects.

Other Charges (net) increased by 20.4% to P7.2 billion from P6.0 billion in 2014. *Interest Expense* decreased by 12.1% to P10.5 billion from P11.9 billion in 2014 due mainly to loan payments during the year and capitalized interest taken up on new loans availed of for capital expenditure requirements. *Interest Income* increased by 4.1% to P3.2 billion from P3.0 billion in 2014 due to higher average balance of temporary investments. *Gain on Disposal of Investments and Properties - net* decreased by 101.8% to loss of P0.05 billion from gain of P2.9 billion in 2014 resulting mainly from the sale of the Group's 2% stake in BDO in 2014. *Loss on Fair Value Changes on Derivatives* decreased by 45.1% to P0.1 billion from P0.2 billion in 2014. This fair value change pertains mainly to the US$250.0 million convertible bonds of SMIC which was fully settled in April 2015. *Foreign Exchange Gain - net* increased by 34.5% to P240.8 million from P179.1 million in 2014. This is due mainly to the favorable PHP to USD foreign exchange rate, that is, from PHP44.72 : USD1.00 in 2014 to PHP47.06 : USD1.00 in 2015.

Provision for Income Tax increased by 23.5% to P9.4 billion from P7.6 billion in 2014 due to increase in taxable income as well as expiration of income tax holiday incentives on a number of residential projects. The effective income tax rate is 18.8% in 2015 and 16.3% in 2014.

Non-controlling interest increased by 13.2% to P11.9 billion in 2015 from P10.5 billion in 2014 due to the increase in net income of certain partly-owned subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2015	12 / 31 / 2014	% Change
Current Assets	P 164.3	P 184.0	-10.7%
Noncurrent Assets	606.8	527.9	14.9%
Total Assets	**P 771.1**	**P 711.9**	**8.3%**
Current Liabilities	P 111.4	P 96.3	15.7%
Noncurrent Liabilities	278.0	265.6	4.6%
Total Liabilities	**389.4**	**361.9**	**7.6%**
Stockholders' Equity	**381.7**	**350.0**	**9.1%**
Total Liabilities and Stockholders' Equity	**P 771.1**	**P 711.9**	**8.3%**

Total *Assets* increased by 8.3% to P771.1 billion from P711.9 billion in 2014. Likewise, total *Liabilities* increased by 7.6% to P389.4 billion from P361.9 billion in 2014.

Current Assets

Current Assets decreased by 10.7% to P164.3 billion from P184.0 billion in 2014.

Cash and Cash Equivalents decreased by 22.0% to P53.9 billion from P69.1 billion in 2014 due mainly to new investments in associates, capital expenditures, and payment of dividends.

Time Deposits and Short-term Investments increased by 6.8% to P9.6 billion from P9.0 billion in 2014 resulting mainly from the effect of restatement due to change in foreign exchange rates.

Investments Held for Trading and Sale decreased by 73.7% to P1.1 billion from P4.2 billion in 2014 due mainly to available-for-sale (AFS) investments which matured during the period and the reclassification of a certain investment to Investments in associate companies and joint ventures.

Receivables increased by 3.6% to P32.1 billion from P31.0 billion in 2014 due mainly to the increase in *Receivable from Real Estate Buyers* resulting from higher construction accomplishments of sold units and increase in *Receivable from Tenants.*

Merchandise Inventories increased by 9.3% to P16.3 billion from P14.9 billion in 2014. The increase is mainly attributable to the Food Group.

Other Current Assets decreased by 8.1% to P51.3 billion from P55.8 billion in 2014 due to the collection of receivable from sale of a portion of the Group's stake in an associate in 2014, partly offset by the increase in condominium units for sale due to completion of condominium towers M Place @ South Triangle, Jazz, Mezza II and Shell Residences and increase in *Advances and Deposits*.

Noncurrent Assets

Noncurrent Assets increased by 14.9% to P606.8 billion from P527.9 billion in 2014.

AFS Investments increased by 10.3% to P21.2 billion from P19.2 billion in 2014 due mainly to increase in market value of certain AFS investments and new AFS investments.

Investments in Associate Companies and Joint Ventures increased by 16.8% to P169.9 billion from P145.5 billion in 2014 due mainly to new investments plus one year *Equity in Net Earnings of Associate Companies and Joint Ventures*, net of *Dividend Income*.

Time Deposits increased by 11.7% to P53.1 billion from P47.6 billion in 2014. The increase pertains to the proceeds of certain AFS bonds which matured during the period and effect of restatement due to change in foreign exchange rates.

Property and Equipment decreased by 2.5% to P19.4 billion from P19.9 billion in 2014.

Investment Properties increased by 17.8% to P249.6 billion from P211.9 billion in 2014. The increase mainly represents mall-related investments in land and buildings located in Cagayan de Oro, Cavite City, and Bulacan in the Philippines and Tianjin in China and the ongoing expansions of SM Mall of Asia; landbanking; and, construction costs incurred for ongoing projects of the Commercial and Hotel groups namely, Three E-com Center and Conrad Manila.

Land and Development increased by 2.8% to P27.4 billion from P26.6 billion in 2014 due mainly to landbanking and construction accomplishments during the period.

Intangibles increased by 10.8% to P24.7 billion from P22.3 billion in 2014 due mainly to Trademarks resulting from a new acquisition.

Deferred Tax Assets increased by 12.0% to P2.6 billion from P2.3 billion in 2014 due mainly to NOLCO, Accrued leases and Unrealized foreign exchange losses.

Other Noncurrent Assets increased by 19.5% to P38.9 billion from P32.6 billion in 2014 due mainly to additional bonds and deposits for real estate acquisitions, increase in *Derivative Assets* and *Deferred Input Vat*, and a new long-term note.

Current Liabilities

Current Liabilities increased by 15.7% to P111.4 billion from P96.3 billion in 2014.

Bank Loans decreased by 28.6% to P9.9 billion from P13.9 billion in 2014 resulting from net payments during the period.

Current Portion of Long-term Debt increased by 143.6% to P26.0 billion from P10.7 billion in 2014 due mainly to reclassification of maturing debts from noncurrent to current.

Accounts Payable and Other Current Liabilities increased by 4.7% to P73.1 billion from P69.9 billion in 2014 mainly from higher business volume.

Dividends Payable remained at P0.3 billion in 2015 and 2014.

Income Tax Payable increased by 27.0% to P2.0 billion in 2015 from P1.6 billion in 2014 due mainly to higher taxable income in 2015.

Noncurrent Liabilities

Noncurrent Liabilities increased by 4.6% to P278.0 billion from P265.6 billion in 2014.

Long-term Debt - Net of Current Portion increased by 3.4% to P245.2 billion from P237.1 billion in 2014 due mainly to new loan availments and bond issuances to fund capital expenditures and for working capital requirements.

Tenants' Deposits and Others increased by 17.3% to P25.4 billion from P21.6 billion in 2014. The increase pertains mainly to SM Prime's customers' deposits and deferred output vat.

Deferred Tax Liabilities increased by 8.3% to P7.4 billion from P6.9 billion in 2014 due mainly to unrealized gross profit on sale of real estate for tax purposes.

Noncurrent Derivative Liability is nil in 2015 and P0.06 billion in 2014. All outstanding interest rate swaps matured in 2015.

Equity

Total *Equity* increased by 9.1% to P381.7 billion from P350.0 billion in 2014.

Equity Attributable to Owners of the Parent increased by 10.7% to P284.4 billion from P257.0 billion in 2014. This increase resulted mainly from (a) *Additional Paid-in Capital* which increased by 6.2% to P76.4 billion from P72.0 billion in 2014 due to the conversion of US$ bonds to SMIC common shares (b) *Net Unrealized Gain on AFS Investments* which increased by 24.7% to P12.7 billion from P10.2 billion in 2014 due mainly to the appreciation in market value of AFS investments of subsidiaries and associates, (c) *Re-measurement gain on defined benefit asset/obligation* which increased by P0.2 billion as a result of valuation of the Group's retirement plan, and (d) *Cumulative Translation Adjustment* relating to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso which increased by 22.1% to P1.1 billion from P0.9 billion in 2014.

Non-controlling Interests increased by 4.7% to P97.3 billion from P92.9 billion in 2014 due mainly to the increase in net assets of certain subsidiaries that are not wholly owned.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2015 and 2014:

Accounts	12 / 31/ 2015	12 / 31/ 2014
Current Ratio	1.5	1.9
Asset to Equity	2.0	2.0
Debt-equity Ratios:		
On Gross Basis	50 : 50	50 : 50
On Net Basis	36 : 64	34 : 66
Revenue Growth	7.0%	9.1%
Net Income to Revenues	9.6%	10.3%
Net Income Growth	0.2%	3.5%
Return on Equity	10.3%	12.0%
EBITDA *(In Billions of Pesos)*	P68.3B	P63.4B
Interest Rate Coverage	6.5x	5.3x

Current Ratio decreased to 1.5 from 1.9 in 2014 due mainly to 10.7% decrease in *Current Assets* coupled with a 15.7% increase in *Current Liabilities.*

Asset to equity ratio remained at 2.0 in 2015 and 2014.

Gross debt-equity ratio remained 50:50 in 2015 and 2014.

Net debt-equity ratio increased to 36:64 from 34:66 in 2014 due to higher increase in net debts of 20.8% from P131.2 billion to P158.5 billion in 2015.

Revenue growth decreased to 7.0% in 2015 from 8.9% in 2014 is attributable mainly to higher growth of Merchandise and Real estate sales, Rental revenues, and Cinema and event ticket sales, amusement and others in 2014 compared to 2015.

Net income growth decreased to 0.2% in 2015 due mainly to the one-time gain on sale of investment in 2014.

Return on equity decreased to 10.3% from 12.0% in 2014 due mainly to flat net income and higher equity growth in 2015.

EBITDA increased by 7.7% to P68.3 billion from P63.4 billion in 2014.

Interest Rate Coverage improved to 6.5x from 5.3x in 2014 due to the negative growth of interest expense.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio: $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Asset to Equity Ratio: $\dfrac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$

3. Debt – Equity Ratio

   a. Gross Basis: $\dfrac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Equity Holders of the Parent} + \text{Total Interest Bearing Debt}}$

   b. Net Basis: $\dfrac{\text{Total Interest Bearing Debt less cash and cash equivalents (excluding cash on hand), time deposits, investment in bonds held for trading and available for sale, long-term notes}}{\text{Total Equity Attributable to Equity Holders of the Parent + Total Interest Bearing Debt less cash and cash equivalents (excluding cash on hand), time deposits, investments in bonds held for trading and available for sale, long-term notes}}$

4. Revenue Growth: $\dfrac{\text{Total Revenues (Current Period)}}{\text{Total Revenues (Prior Period)}} - 1$

5. Net Income to Revenue: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent}}{\text{Total Revenues}}$

6. Net Income Growth: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent (Current Period)}}{\text{Net Income Attributable to Equity Holders of the Parent (Prior Period)}} - 1$

7. Return on Equity: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent}}{\text{Average Equity Attributable to Equity Holders of the Parent}}$

8. EBITDA: Income from Operations + Depreciation & Amortization

9. Interest Rate Coverage: $\dfrac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Malls
In 2016, SM Prime will be opening 5 new malls in the Philippines. It also plans to expand *SM City Calamba* in Laguna and *SM City Naga* in Bicol province. By yearend, SM Prime will have a total of 67 malls, 61 in the Philippines and 6 in China with an estimated 8.6 million square meters of gross floor area.

Residential
In 2016, SM Prime plans to launch about 11,000 to 14,000 residential units in the cities of Quezon, Bicutan, Sucat, Las Piñas and Pasay. SM Prime is also set to launch new mixed-use developments in Bulacan, Pampanga and Cavite.

Commercial
SM Prime is currently constructing Three E-Com Center and Four E-Com Center in the Mall of Asia Complex. These are scheduled for completion in 2017 and 2019, respectively.

Hotels and Convention Centers
Conrad Manila in the Mall of Asia Complex is expected to open in the first half of 2016.

The Property Group's land banking initiatives will continue in 2016.

The Retail Group will be opening 3 department stores, 2 supermarkets, 18 Savemore branches and 2 hypermarkets.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

Calendar Year Ended December 31, 2014 and 2013

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2014	12 / 31 / 2013	% Change
Revenue	**P 275.7**	**P 253.3**	**8.9%**
Cost and Expenses	223.5	202.0	10.7%
Income from Operations	**52.2**	**51.3**	**1.8%**
Other Income (Charges)	(5.7)	(7.7)	(24.9%)
Provision for Income Tax	7.6	5.4	39.7%
Minority Interest	10.5	10.8	(2.8%)
Net Income Attributable to Equity Holders of the Parent	**P 28.4**	**P 27.4**	**3.5%**

SM Investments Corporation and Subsidiaries (the Group) reported a *Net Income Attributable to Equity Holders of the Parent* of P28.4 billion and *Revenues* of P275.7 billion in 2014. This represents a 3.5% increase in *Net Income Attributable to Equity Holders of the Parent* and 8.9% growth in *Revenues*.

Income from Operations increased by 1.8% to P52.2 billion from P51.3 billion in 2013. *Operating Margin* and *Net Margin* is at 18.9% and 10.3%, respectively.

Merchandise Sales, which grew by 9.0% from P180.9 billion in 2013, accounts for 71.5% or P197.1 billion of the total revenues in 2014. The increase is attributable to the opening of the following new stores in 2014:

	SM Department Stores	***SM Supermarkets***	***SaveMore Stores***	***SM Hypermarkets***
1	SM Cauayan	Cauayan	SaveMore Nunez	Daet
2	SM Mega Center	-	SaveMore San Pedro	Sun
3	-	-	SaveMore Sta. Cruz	Rosario
4	-	-	SaveMore Candon	-
5	-	-	SaveMore Francis Market	-
6	-	-	SaveMore Agora Lucena	-
7	-	-	SaveMore Solano 2	-
8	-	-	SaveMore Tumauini	-
9	-	-	SaveMore Cyberwest	-
10	-	-	SaveMore San Nicolas	-
11	-	-	SaveMore Camiling	-
12	-	-	SaveMore Guagua	-
13	-	-	SaveMore Angono 2	-
14	-	-	SaveMore Bayombong	-
15	-	-	SaveMore Santiago 2	-
16	-	-	SaveMore Roxas Isabela	-
17	-	-	SaveMore Tacloban	-
18	-	-	SaveMore Calumpang Gensan	-
19	-	-	SaveMore Fortune Town	-
20	-	-	SaveMore San Fernando Pampanga	-
21	-	-	SaveMore Cabiao	-
22	-	-	SaveMore Francis Market	-

The *Non-Food* and *Food Group* comprised 40% and 60%, respectively, of merchandise sales in 2014 and 41% and 59%, respectively, of merchandise sales in 2013.

As of December 31, 2014, *SM Retail had* 269 stores nationwide, namely: 50 *SM Stores*, 40 *SM Supermarkets*, 113 *SaveMore* stores, 42 *SM Hypermarkets* and 24 *WalterMart* stores.

Real Estate Sales increased by 6.5% to P22.6 billion from P21.2 billion in 2013 due to higher construction accomplishments of projects and increase in number of units sold in Grace Residences in Taguig, Shell Residences and Breeze Residences in Pasay, Green Residences in Manila, and Grass Residences Phase2 and Trees Residences in Quezon City.

Real Estate Gross Margin improved from 42.4% in 2013 to 44.6% in 2014. This is attributable to efficient management and the reigning-in of construction costs.

Rent Revenues, derived mainly from the mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 17.6% to P32.8 billion from P27.9 billion in 2013. The increase in *Rent Revenues* is primarily due to the new malls which opened in 2013 and 2014, namely, *SM Aura Premier* in Taguig, *SM City BF Parañaque* and *SM City Cauayan* in Isabela province, as well as the expansion of shopping spaces in Mega Fashion Hall in *SM Megamall* in Mandaluyong and *SM Center Angono* in Rizal province. The expanded mall gross floor area is now 6.5 million square meters, an increase of 0.3 million square meters from yearend 2013. Excluding the new malls and expansions, same-store rental growth is at 7%.

As of December 31, 2014, *SM Prime* had 50 malls in the Philippines and 5 malls in China.

Cinema Ticket Sales and *Amusement Revenues* increased by 16.7% to P5.8 billion from P4.9 billion in 2013 due to the opening of additional digital cinemas in the new/expanded malls and the showing of international and local blockbuster movies. Strong patronage of amusement rides and additional recreational facilities also contributed to the increase.

*Equity in Net Earnings of Associates and Joint Venture*s decreased by 2.8% to P13.2 billion from P13.6 billion in 2013. This is attributable mainly to *BDO's* exceptional trading gains in early 2013.

Gain on Sale of Available-for-sale Investments and Fair Value Changes on Investments Held for Trading-net decreased by 63.5% to P0.05 billion in 2014 from P0.14 billion in 2013 due primarily to the gain on sale of available-for-sale investments in 2013.

Dividend Income decreased by 32.6% to P0.6 billion in 2014 from P0.9 billion in 2013 due to decrease in dividends received from certain investees.

Management and Service Fees remained at P1.4 billion in 2014 and 2013.

Other Revenues, which comprise mainly of income for the promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues slightly decreased by 7.7% to 2.1 billion in 2014 from P2.2 billion in 2013.

Operating Expenses increased by 17.7% to P60.1 billion from P51.0 billion in 2013 due mainly to additional operating expenses associated with the construction of new, and/or, expansion of malls, new retail stores, store renovations and current real estate projects.

Other Charges (net) decreased by 24.9% to P5.7 billion from P7.6 billion in 2013. *Interest Expense* increased by 6.3% to P11.6 billion from P10.9 billion in 2013 due mainly to loan availments during the year. *Interest Income* decreased by 18.2% to P3.0 billion from P3.7 billion in 2013 due to lower average balance of temporary investments. *Gain on disposal of investments and properties – net* increased by 426.9% to P2.9 billion from P0.5 billion in 2013 resulting mainly from the sale of the Group's 2% stake in BDO. *Loss on Fair Value Changes on Derivatives* decreased by 81.0% to P0.2 billion from P1.0 billion in 2013. This fair value change pertains mainly to the US$250.0 million convertible bonds of SMIC. *Foreign Exchange Gain and Others* increased by 201.4% to P179.1 million from P59.4 million in 2013. This is due mainly to the favorable PHP to USD foreign exchange rate, that is, from PHP44.40 : USD1.00 in 2013 to PHP44.72 : USD1.00 in 2014.

Provision for Income Tax increased by 39.7% to P7.6 billion from P5.4 billion in 2013 resulting mainly from the SM Property group restructuring transaction in 2013, higher taxable income in 2014 as well as expiration of certain income tax holiday incentives on certain residential projects of *SM Prime* in 2014. The effective income tax rate is 16.3% in 2014 and 12.4% in 2013.

Non-controlling interest decreased by 2.8% to P10.5 billion in 2014 from P10.8 billion in 2013.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2014	12 / 31 / 2013	% Change
Current assets	P 186.0	P 162.9	14.2%
Noncurrent assets	525.9	470.1	11.9%
Total assets	**P 711.9**	**P 633.0**	**12.5%**
Current liabilities	P 96.6	P 132.1	-26.8%
Noncurrent Liabilities	265.3	200.7	32.2%
Total Liabilities	**361.9**	**332.8**	**8.8%**
Stockholders' Equity	**350.0**	**300.2**	**16.6%**
Total Liabilities and Stockholders' Equity	**P 711.9**	**P 633.0**	**12.5%**

Total *Assets* increased by 12.5% to P711.9 billion from P633.0 billion in 2013. Likewise, total *Liabilities* increased by 8.8% to P361.9 billion from P332.8 billion in 2013.

Current Assets

Current Assets increased by 14.2% to P186.0 billion from P162.9 billion in 2013.

Cash and Cash Equivalents increased by 37.7% to P69.1 billion from P50.2 billion in 2013. The increase represents the loan proceeds from availments and share sale proceeds from SM Prime's top-up placement in 2014.

Time Deposits and Short-term Investments decreased by 68.9% to P9.0 billion from P28.9 billion in 2013 due to maturity of certain Short-term deposits, a portion of which was used to pay off maturing bonds and/or reinvested in Long-term time deposits.

Investments Held for Trading and Sale increased by 274.5% to P4.2 billion from P1.1 billion in 2013 due mainly to new available-for-sale (AFS) investments and reclassification of maturing noncurrent AFS investments.

Receivables increased by 16.4% to P31.0 billion from P26.6 billion in 2013 due mainly to the P3.8 billion increase in *Receivable from Real Estate Buyers* resulting from higher construction accomplishments of sold units as well as new sales for the period and P0.6 billion increase in *Receivable from Tenants.*

Merchandise Inventories increased by 12.5% to P14.9 billion from P13.2 billion in 2013. The increase is mainly attributable to the Food Group.

Other Current Assets increased by 35.0% to P57.8 billion from P42.8 billion in 2013 due mainly to the receivable resulting from the sale of the Group's 2% stake in BDO.

Noncurrent Assets

Noncurrent Assets increased by 11.9% to P525.9 billion from P470.1 billion in 2013.

AFS Investments increased by 16.4% to P19.2 billion from P16.5 billion in 2013 due mainly to increase in market value of certain AFS investments and new AFS investments.

Investments in Shares of Stock of Associates and Joint Ventures increased by 4.7% to P145.5 billion from P139.0 billion in 2013 mainly due to the 12-month *Equity in Net Earnings of Associates and Joint Ventures*, net of *Dividend Income* received from these associates and sale of 2% stake in BDO.

Time Deposits increased by 74.0% to P47.1 billion from P27.1 billion in 2013 due mainly to the reinvestment of matured deposits from short-term to long-term.

Property and Equipment increased by 8.6% to P19.9 billion from P18.3 billion in 2013 due mainly from new stores in 2014.

Investment Properties increased by 15.0% to P221.4 billion from P192.6 billion in 2013. The increase mainly represents mall-related investments in land and buildings located in Cebu City, Cabanatuan, and San Mateo in the Philippines and Zibo and Tianjin in China; landbanking; and construction costs incurred for ongoing projects of the commercial and the hotel group namely, Five E-com and Conrad Hotel Manila.

Land and Development slightly increased by 3.8% to P26.6 billion from P25.7 billion in 2013 due mainly to reclassification of certain *Land and Development* project costs from noncurrent to current.

Deferred Tax Assets slightly increased by 5.6% to P2.3 billion from P2.2 billion in 2013 due to higher NOLCO from *SM Prime.*

Other Noncurrent Assets decreased by 24.4% to P21.5 billion from P28.4 billion in 2013. The decrease mainly represents the reclassification of deposits for land acquisitions to current portion of Land and development and reclassification of a portion of the receivable from real estate buyers to current.

Current Liabilities

Current Liabilities decreased by 26.8% to P96.6 billion from P132.1 billion in 2013 due mainly to net payments in 2014.

Bank Loans decreased by 49.6% to P13.9 billion from P27.6 billion in 2013.

Current Portion of Long-term Debt decreased by 68.1% to P11.0 billion from P34.6 billion in 2013.

Accounts Payable and Other Current Liabilities increased by 2.6% to P69.9 billion from P68.1 billion in 2013.

Dividends Payable increased by 26.0% to P0.3 billion from P0.2 billion in 2013. This mainly represents dividends due to minority stockholders of certain subsidiaries.

Income Tax Payable remained at P1.6 billion in 2014 and 2013.

Noncurrent Liabilities

Noncurrent Liabilities increased by 32.2% to P265.3 billion from P200.7 billion in 2013.

Long-term Debt - Net of Current Portion increased by 34.8% to P236.8 billion from P175.6 billion to in 2013 due mainly to SMIC and SMPHI's bond issuances and loan availments in 2014 obtained to fund capital expenditures and for working capital requirements.

Tenants' Deposits and Others increased by 20.3% to P21.6 billion from P18.0 billion in 2013. The increase is coming mainly from *SM Prime* and the *Net Group* relating to their leasable spaces.

Deferred Tax Liabilities decreased by 1.5% to P6.9 billion from P7.0 billion in 2013.

Noncurrent Derivative Liability decreased by 63.3% to P0.1 billion from P0.2 billion in 2013 due to marked-to-market gains on interest rate swaps used to hedge interest rate exposure on loans.

Equity

Total *Equity* increased by 16.6% to P350.0 billion from P300.2 billion in 2013.

Equity Attributable to Owners of the Parent increased by 17.1% P257.0 billion from P219.4 billion in 2013. This increase resulted mainly from (a) *Additional Paid-in Capital* which increased by 24.5% to P72.0 billion from P57.8 billion in 2013 due mainly to the recognition of Equity Reserve arising from the US$400 million top-up placement of SM Prime in November 2014 (b) *Net Unrealized Gain on AFS Investments* which increased by 39.1% to P10.2 billion from P7.3 billion in 2013 due mainly to the appreciation in market value of AFS investments of subsidiaries and associates, (c) *Equity Adjustments from Common Control Transactions* which decreased by P0.7 billion relative to the adjustment in valuation for the acquisition of a subsidiary, and (d) Remeasurement loss on defined benefit asset/obligation which decreased by P0.07 billion as a result of valuation of the Group's retirement plan. These are partially offset by the 29.7% decrease in *Cumulative Translation Adjustment* relating to the translation of the financial accounts of *SM China* malls from China Yuan Renminbi to Philippine Peso from P1.2 billion to P0.9 billion in 2014.

Non-controlling Interests increased by 15.0% to P92.9 billion from P80.8 billion in 2013 due mainly to the increase in net assets of certain subsidiaries that are not wholly owned.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the company's continuing operations.

Key Performance Indicators

The following are the key financial ratios of the Group for the years ended December 31, 2014 and 2013:

Accounts	12 / 31/ 2014	12 / 31/ 2013
Current Ratio	1.9	1.2
Asset to Equity	2.0	2.1
Debt-equity Ratios:		
On Gross Basis	50 : 50	52 : 48
On Net Basis	34 : 66	37 : 63
Revenue Growth	8.9%	13.1%
Net Income to Revenues	10.3%	10.8%
Net Income Growth	3.5%	11.2%
Return on Equity	12.0%	13.0%
EBITDA *(In Billions of Pesos)*	P63.1B	P60.8B
Interest Rate Coverage	5.4x	5.6x

Current Ratio improved to 1.9 from 1.2 in 2013 due mainly to increase in *Current Assets* of 14.2% coupled with a decrease in *Current Liabilities* of 26.8%.

Asset to equity ratio slightly decreased to 2.0 from 2.1 in 2013.

Gross debt-equity ratio decreased to 50:50 from 52:48 in 2013 due to lower increase in gross debts of 10.1% from P237.7 billion to P261.7 billion in 2014 compared to a 17.1% increase in equity base from P219.4 billion to P257.0 billion in 2014.

Net debt-equity ratio decreased to 34:66 from 37:63 in 2013 due to lower increase in net debts of 4.1% from P126.5 billion to P131.6 billion in 2014.

Revenue growth decreased to 8.9% in 2014 due mainly to the 2013 exceptional trading gains of the Group’s bank associates, partially offset by the increase in merchandise and real estate sales, rent, and cinema ticket sales and amusement in 2014.

Net income growth decreased to 3.5% in 2014 due mainly to the 2013 exceptional trading gains of the Group’s bank associates.

Return on equity decreased to 12.0% from 13.0% in 2013 due mainly to slower net income growth and higher equity growth in 2014.

EBITDA increased by 3.8% to P63.1 billion from P60.8 billion in 2013.

Interest Rate Coverage minimally changed to 5.4x from 5.6x in 2013 due to higher increase in interest expense of 6.2% compared to an EBITDA increase of 3.8%.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio: $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Asset to Equity Ratio: $\dfrac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$

3. Debt – Equity Ratio

   c. Gross Basis: $\dfrac{\text{Total Interest Bearing Debt less Pledged time deposits}}{\text{Total Equity Attributable to Equity Holders of the Parent)} + \text{Total Interest Bearing Debt less Pledged time deposits}}$

   d. Net Basis: $\dfrac{\text{Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and available for sale}}{\text{Total Equity Attributable to Equity Holders of the Parent)} + \text{Total Interest Bearing Debt less cash and cash equivalents, time deposits, investments in bonds held for trading and available for sale}}$

4. Revenue Growth: $\dfrac{\text{Total Revenues (Current Period)}}{\text{Total Revenues (Prior Period)}} - 1$

5. Net Income to Revenue: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent}}{\text{Total Revenues}}$

6. Net Income Growth: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent (Current Period)}}{\text{Net Income Attributable to Equity Holders of the Parent (Prior Period)}} - 1$

7. Return on Equity: $\dfrac{\text{Net Income Attributable to Equity Holders of the Parent}}{\text{Average Equity Attributable to Equity Holders of the Parent}}$

8. EBITDA: Income from Operations + Depreciation & Amortization

9. Interest Rate Coverage: $\dfrac{\text{EBITDA}}{\text{Interest Expense}}$

Expansion Plans / Prospects for the Future

Malls
In 2015, SM Prime will open four new malls, located in Sangandaan, Cabanatuan and San Mateo in the Philippines and Zibo in China, as well as expansion of SM City Iloilo and SM City Lipa. By year-end, SM Prime will have 53 malls in the Philippines and six in China with an estimated 7.8 million square meters of gross floor area.

Residential
In 2015, SMDC plans to launch over five new projects and six expansions of existing towers in Metro Manila and in Tagaytay that will yield around 20,000 additional condominium units.

Commercial
SM Prime is currently constructing Three E-com Center scheduled for opening in 2016. Five E-com Center is targeted for completion in the first quarter of 2015.

Hotels and Convention Centers
Park Inn by Radisson in Clark, Pampanga and Conrad Hotel Manila in the Mall of Asia Complex in Pasay are expected to open in the last quarter of 2015.

The Property Group’s land banking initiatives will continue in 2015.

The Retail Group will be opening three department stores, three supermarkets, seventeen SaveMore branches and two hypermarkets.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

Calendar Year Ended December 31, 2013 and 2012

Results of Operation
(amounts in billion pesos)

Accounts	12 / 31 / 2013	12 / 31 / 2012	% Change
Revenue	**P 253.3**	**P 223.8**	**13.1%**
Cost and Expenses	202.0	177.0	14.1%
Income from Operations	**P 51.3**	**P 46.8**	**9.4%**
Other Income (Charges)	(7.7)	(5.9)	28.6%
Provision for Income Tax	5.4	6.5	(17.2%)
Minority Interest	10.8	9.7	11.0%
Net Income Attributable to Equity Holders of the Parent	**P 27.4**	**P 24.7**	**11.2%**

Consolidated revenues grew by 13.1% to P253.3 billion, as against last year's P223.8 billion. Income from operations increased by 9.4% to P51.3 billion from last year's P46.8 billion. Operating income margin and net profit margin is at 20.2% and 10.8%, respectively. Net income attributable to equity holders of the Parent for the year ended December 31, 2013 increased by 11.2% to P27.4 billion compared to P24.7 billion of the same period last year.

Retail Sales accounts for 71.4% or P180.9 billion of the total revenues for the year. Consolidated Retail sales grew by 13.8% from P158.9 billion to P180.9 billion for the year ended December 31, 2013. The increase is attributable to the acquisition of Walter Mart stores in 2013 as well as the opening of the following new stores in 2013:

	SM Department Stores	*SM Supermarkets*	*SaveMore Stores*	*SM Hypermarkets*
1	SM Aura	Aura	SaveMore Zabarte	Jazz
2	SM BF Parañaque	BF Parañaque	SaveMore Bajada Plaza	FTI
3	-	-	SaveMore Parola Cainta	-
4	-	-	SaveMore TM Centerpoint	-
5	-	-	SaveMore Acacia	-
6	-	-	SaveMore Project 8	-
7	-	-	SaveMore Sta. Maria Ilocos	-
8	-	-	SaveMore ARCC Bacoor	-
9	-	-	SaveMore Pili	-
10	-	-	SaveMore San Ildefonso	-
11	-	-	SaveMore Marulas	-
12	-	-	SaveMore Free Choice	-
13	-	-	SaveMore Star J	-
14	-	-	SaveMore Lumina	-
15	-	-	SaveMore Meridien	-

Of the P180.9 billion and P158.9 billion retail sales in 2013 and 2012, respectively, the non-food group and food group contributed 40.6% and 59.4%, respectively in 2013 and 43.8% and 56.2%, respectively in 2012.

As of December 31, 2013, SM Investments' retail subsidiaries have 241 stores. These consist of 48 department stores, 39 supermarkets, 93 SaveMore stores, 39 hypermarkets and 22 Walter Mart supermarkets.

Real estate sales for the year ended December 31, 2013, derived mainly from SM Development Corporation (SMDC), amounted to P21.2 billion or a decrease of 5.6% compared to last year of P22.5 billion. The decrease in real estate sales is primarily due to lower sales take up of projects in 2013 compared to last year. This is attributable to project launches in 2010 and 2011 which were more "blockbusters" namely, Shell, Green and Jazz compared to launches in 2012 of Breeze and Grace. Projects launched in the last quarter of 2013, namely: Grass Phase 2, Shore and Trees are expected to contribute significantly to revenues starting in 2014.

Rent revenue for the year ended December 31, 2013, derived mainly from mall operations of SM Prime Holdings, Inc. (SM Prime), increased by 13.1% to P27.9 billion in 2013 from P24.7 billion in 2012. SM Prime is the country's leading shopping mall developer and operator which owns 48 malls in the Philippines with a total gross floor area of 6.2 million square meters and five malls in China with a total gross floor area of 0.8 million square meters as of December 31, 2013. The increase in rental revenues is primarily due to the full-year effect of new malls opened in 2012 namely SM City Olongapo, SM City Consolacion, SM City San Fernando, SM City General Santos, SM Lanang Premier, and the opening in 2013 of SM Aura Premier. Excluding the new malls and expansions, rental revenues grew 7.0%. The full year recognition of revenues from TwoE-Com, which began operations in mid-2012 and is now 98% occupied, also helped push up rental revenues from commercial operations.

For the year 2013, cinema ticket sales and amusement revenues increased by 2.5% to P4.9 billion in 2013 from P4.8 billion in 2012 largely due to the opening of additional digital cinemas at the new malls, opening of new amusement rides in SM by the Bay and the Sky Ranch in Tagaytay. Amusement revenues is mainly composed of amusement income from rides, bowling and ice skating operations including the SM Science Discovery Center and the SM Storyland.

Equity in net earnings of associates increased by 50.4% to P13.6 billion in 2013 from P9.0 billion in 2012, primarily due to the 56% increase in net income of BDO to P22.6 billion, in an environment marked by high system liquidity and volatility in the capital markets. BDO's primary commercial banking businesses continued its robust growth with net interest income leading the way with a 20% rise, customer loans expanding 19% and an upsurge of 44% on total deposits led by steady growth in low-cost deposits as well as the inflow of maturing Special Deposit Accounts (SDA) funds from the Bangko Sentral ng Pilipinas (BSP). Further, non-interest income increased by 30% on the double digit expansion in both fee based income and trading and foreign exchange gains. BDO's continued branch expansion enabled it to keep cost of funds tempered with low cost deposits growing over 20%. With the Philippine economy expected to sustain its growth momentum in 2014, BDO is fully equipped to realize the promising growth opportunities in its customer segments by capitalizing on its established business franchise and wide distribution network.

Gain on sale of available-for-sale investments and fair value changes on investments held for trading increased to P0.1 billion in 2013 from P0.002 billion in 2012 primarily due to the gain on sale of available-for-sale investments of the Group in 2013.

Dividend income increased by P0.3 billion or 40.6% in 2013 to P0.9 billion from P0.6 billion in 2012 due to increase in dividends received from investees. Management and service fees, which is computed based on percentage of sales, increased by P0.3 billion or 29.2% from P1.1 billion in 2012 to P1.4 billion in 2013 mainly due to increase in sales of retail affiliates.

Other revenues, which comprise mainly of income for the promotional activities highlighting products, commission from bills payment, prepaid cards and show tickets, advertising income and sponsorship revenues remained at P2.2 billion in 2013 and 2012.

Total cost and expenses went up by 14.1% to P202.0 billion for the year ended December 31, 2013 compared to 2012. Retail cost of sales increased by 17.7% from P117.9 billion to P138.7 billion mainly due to the increase in retail sales. Real estate cost of sales decreased by 13.3% from P14.1 billion to P12.2 billion due primarily to lower recognized real estate costs in line with lower recognized real estate sales in 2013 and tighter cost controls during project engineering and stricter monitoring of project costs which resulted to improved gross margins. Selling, general and administrative expenses increased by 13.5% from P45.0 billion in 2012 to P51.0 billion in 2013. The increase is primarily associated with mall expansions, new malls, department stores, supermarkets, hypermarkets, SaveMore and Walter Mart stores, as well as store renovations and current real estate projects.

Other charges of P7.7 billion in 2013 increased by 28.6% or P1.8 billion from last year's P5.9 billion. Gain on disposal of investments and properties decreased by 58.0% to P0.5 billion in 2013 from P1.3 billion in 2012 due mainly to the deferred gain on Belle-PLAI share swap that was realized in 2012. Gain (loss) on fair value changes on derivatives decreased by 28.9% to P1.0 billion in 2013 from P1.4 billion in 2012 resulting mainly from the fair value changes of the embedded derivatives related to the US$250.0 million convertible bonds of SMIC in 2013 (refer to Note 20 of the consolidated financial statements). Interest expense increased by 1.2% or P0.1 billion to P10.9 billion in 2013 from P10.8 billion in 2012. Interest income decreased by 16.0% to P3.7 billion in 2013 from P4.4 billion in 2012 due mainly from the decrease in interest rates and lower average balance of temporary investments in 2013 compared to 2012. Foreign exchange gains decreased by 89.5% from P0.6 billion in 2012 to P0.1 billion in 2013 due mainly to the increase in foreign exchange rate to P44.395:US$1.00 in 2013 from P41.05:US$1.00 in 2012.

Provision for income tax decreased by 17.2% to P5.4 billion for the year 2013 from P6.5 billion in 2012 resulting mainly from the SM Property group restructuring transaction.

Non-controlling interests increased by 11.0% to P10.8 billion in 2013 from P9.7 billion in 2012 due to the increase in net income of certain subsidiaries.

Financial Position
(amounts in billion pesos)

Accounts	12 / 31 / 2013	12 / 31 / 2012	% Change
Current assets	P 162.9	P 145.9	11.7%
Noncurrent assets	470.1	415.9	13.0%
Total assets	**P 633.0**	**P 561.8**	**12.7%**
Current liabilities	P 132.1	P 105.1	25.7%
Noncurrent Liabilities	200.7	195.1	2.9%
Total Liabilities	**332.8**	**300.2**	**10.9%**
Total Equity	**300.2**	**261.6**	**14.8%**
Total Liabilities and Equity	**P 633.0**	**P 561.8**	**12.7%**

On the Balance Sheet side, consolidated total assets as of December 31, 2013 amounted to P633.0 billion, higher by 12.7% from P561.8 billion in the previous year. On the other hand, consolidated total liabilities grew by 10.9% to P332.8 billion in 2013 from P300.2 billion in the previous year.

Total current assets increased by 11.7% to P162.9 billion as of December 31, 2013 from P145.9 billion as of last year. Cash and cash equivalents decreased by 17.3% to P50.2 billion in 2013 from P60.7 billion in 2012 while Time deposits and Short term investments decreased by 0.6% to P28.9 billion in 2013 from P29.1 billion in 2012 due mainly to payment of bank loans, capital expenditures and new investments. Investments held for trading and sale decreased by 60.8% to P1.1 billion in 2013 from P2.9 billion in 2012 due to maturity of certain investments in bonds. Receivables increased by 62.8% to P26.6 billion from P16.4 billion due primarily to increase in Receivable from tenants and real estate buyers. Other current assets increased by 82.6% to P42.8 billion in 2013 from P23.4 billion in 2012 resulting mainly from the reclassification to current from noncurrent of ongoing land and development projects of the property group and increase in condominium units for sale, input tax and other prepayments.

Total consolidated noncurrent assets amounted to P470.1 billion as of December 31, 2013, an increase of 13.0% from last year's P415.9 billion. Investments in shares of stock of associates and joint venture increased by 8.2% or P10.6 billion to P139.0 billion from P128.4 billion due mainly to additional investments in associates and joint venture and equity share in bank's net income. The increase in Investment properties and Property and equipment by 28.4% or P42.6 billion and 6.6% or P1.1 billion, respectively, arose from new mall constructions and new store openings. Deferred tax assets increased by 238.4% to P2.2 billion in 2013 from P0.6 billion in 2012 resulting mainly from the SM Property Group restructuring transaction. Other noncurrent assets increased by 2.5% to P28.4 billion from P27.8 billion while Intangibles increased by 31.9% to P20.2 billion from P15.4 billion resulting mainly from goodwill recognized from business combinations. These were partially offset by the decrease in Available-for-sale investments by 2.4% and by the decrease in Land and development by P4.5 billion or 15% to P25.7 billion in 2013 from P30.2 billion in 2012 due mainly from the reclassification of ongoing projects to current portion. The 8.0% or P2.4 billion decrease in Time deposits represents reclassification to current portion of maturing time deposits.

Total current liabilities increased by 25.7% to P132.1 billion as of December 31, 2013 mainly due to increase in accounts payable and other current liabilities by 17.7% to P68.1 billion in 2013 from P57.9 billion in 2012 mainly arising from trade transactions, payables to mall and residential contractors and suppliers related to ongoing projects and accrued operating expenses. Bank loans decreased by 13.2% or P4.2 billion to P27.6 billion in 2013 from P31.8 billion in 2012 due to settlement of loans. See Note 18 to the audited consolidated financial statements for further discussion regarding bank loans. Income tax payable increased by 9.4% to P1.6 billion in 2013 from P1.5 billion in 2012 due mainly to higher taxable income in 2013. The 149.4% or P20.7 billion increase in Current portion of long-term debt is due mainly to the reclassification from Long-term debt of loans which will mature in 2014. See Note 20 to the audited consolidated financial statements for further discussion regarding long-term debt. The 116.1% increase in dividends payable represents dividends to minority stockholders of certain subsidiaries.

Total noncurrent liabilities increased by 2.9% or P5.6 billion to P200.7 billion in 2013 from P195.1 billion in 2012. Long-term debt – net of current portion increased by P1.1 billion or 0.6% to P175.6 billion in 2013 from P174.5 billion in 2012. See Note 20 to the audited consolidated financial statements for further discussion regarding long-term debt. Noncurrent derivative liability decreased by P0.08 billion to P0.16 billion in 2013 from P0.24 billion 2012 due to mark-to-market gains on interest rate swaps used to hedge interest rate exposure on loans. The P2.4 billion or 53.4% increase in Deferred tax liabilities arose from capitalized borrowing costs, unrealized gross profit on sale of real estate, fair value gain on investment property, unrealized foreign exchange gains and accrued rental income. Tenants' deposits and others increased by 14.1% to P18.0 billion in 2013 from P15.7 billion in 2012 due mainly to new malls and expansions and new condominium projects of the real estate group.

Total equity amounted to P300.2 billion as of December 31, 2013, while total Equity attributable to owners of the parent amounted to P219.4 billion. Additional paid-in capital increased by P14.9 billion or 34.9% to P57.8 billion in 2013 from P42.9 billion in 2012 due mainly to the conversion of US$ bonds to SMIC shares amounting to P8.4 billion and top-up placement amounting to P6.4 billion. The P0.3 billion increase in Equity adjustments from business combination under common control resulted from the SM Property Group restructuring transaction. The P0.97 billion increase in cumulative translation adjustment is related to the translation of the financial accounts of SM China malls from China Yuan Renminbi to Philippine Peso and from unrealized mark-to-market gains on cross currency swap transactions designated as a cash flow hedge. Cost of common shares held by a subsidiary decreased to P0.02 billion from P0.12 billion due mainly to the disposal by subsidiaries of parent common shares during the year. The P4.4 billion decrease in Net unrealized gain on available-for-sale investments resulted from the decrease in the market value of AFS investments of bank associates. The P0.2 billion Remeasurement loss on defined benefit asset/obligation is the result of the valuation of the Group's retirement plan. Non-controlling interest increased by 9.8% to P80.8 billion in 2013 from P73.6 billion in 2012 due mainly to increase in net assets of certain subsidiaries. See Note 21 to the audited consolidated financial statements for further discussion regarding Equity.

The Company has no known direct or contingent financial obligation that is material to the Company operations, including any default or acceleration of an obligation. The Company has no off-balance sheet transactions, arrangements, obligations during the reporting year and as of the balance sheet date.

There are no known trends, events, material changes, seasonal aspects or uncertainties that are expected to affect the Company's continuing operations.

Key Performance Indicators

The following are the major financial ratios of the Company for the years ended December 31, 2013 and 2012:

Accounts	12 / 31/ 2013	12 / 31/ 2012
Current Ratio	1.23	1.39
Asset to Equity	2.11	2.15
Debt-equity Ratios:		
On Gross Basis	52 : 48	54 : 46
On Net Basis	37 : 63	33 : 67
Return on Equity	13.5%	14.3%
Net Income to Revenue	10.8%	11.0%
Revenue Growth	13.1%	12.0%
Net Income Growth	11.2%	16.3%
EBITDA *(In Billions of Pesos)*	P60.8B	P54.9B
Interest Coverage Ratio	5.2x	5.5x

The current ratio decreased to 1.23 in 2013 from 1.39 in 2012 due to higher increase in current liabilities of 25.7% as compared to increase in current assets of 11.7%. The asset to equity ratio decreased slightly to 2.11 in 2013 from 2.15 in 2012 due to higher increase in Equity of 14.8% as compared to increase in Total Assets of 12.7%. (See Managements' Discussion and Analysis of Financial Condition).

The debt-equity ratio on gross basis decreased to 52:48 in 2013 from 54:46 in 2012 due mainly to increase in equity resulting mainly from conversion of US$ bonds to SMIC shares and the US$150 million top-up placement. On a net basis, the debt-equity ratio increased to 37:63 as some loans were used for capital expansions, investments, and general corporate purposes.

Revenue growth in 2013 is at 13.1% due primarily to growth in retail sales, rental and equity in net earnings of associates.

Return on equity decreased by 80 basis points due primarily to higher percentage increase in average equity of 17.9% compared to growth in net income of 11.2%.

Net income to revenue decreased slightly from 11.0% to 10.8%.

EBITDA improved by P5.9 billion while Interest Coverage Ratio minimally changed to 5.2x in 2013 from 5.5x in 2012 due to higher increase in interest paid of 17.0% as compared to increase in EBITDA of 10.7%.

The manner by which the Company calculates the foregoing indicators is as follows:

1. Current Ratio $\dfrac{\text{Current Assets}}{\text{Current Liabilities}}$

2. Asset to Equity Ratio $\dfrac{\text{Total Assets}}{\text{Total Stockholders' Equity}}$

3. Debt – Equity Ratio

   a. Gross Basis $\dfrac{\text{Total Interest Bearing Debt}}{\text{Total Equity Attributable to Owners of the Parent + Total Interest Bearing Debt}}$

   b. Net Basis $\dfrac{\text{Total Interest Bearing Debt less cash and cash equivalents, time deposits, investment in bonds held for trading and available for sale}}{\text{Total Equity Attributable to Owners of the Parent + Total Interest Bearing Debt less cash and cash equivalents, time deposits, investments in bonds held for trading and available for sale}}$

4. Return on Equity $\dfrac{\text{Net Income Attributable to Owners of the Parent}}{\text{Average Equity Attributable to Owners of the Parent}}$

5. Net Income to Revenue $\dfrac{\text{Net Income Attributable to Owners of the Parent}}{\text{Total Revenue}}$

6. Revenue Growth $\dfrac{\text{Total Revenue (Current Period)}}{\text{Total Revenue (Prior Period)}} - 1$

7. Net Income Growth $\dfrac{\text{Net Income Attributable to Owners of the Parent (Current Period)}}{\text{Net Income Attributable to Owners of the Parent (Prior Period)}} - 1$

8. EBITDA Income from operations + Depreciation & Amortization

9. Interest Coverage Ratio $\dfrac{\text{EBITDA}}{\text{Interest Paid}}$

Expansion Plans / Prospects for the Future

For 2014, SM Prime will open three new malls, located in Cauayan and Angono in the Philippines and Zibo in China, as well as expansion of four existing malls. By year end, SM Prime will have an estimated 7.5 million square meters of gross floor area.

In 2014, SMDC plans to launch over five new and expansion projects that will yield around 10,600 condominium units.

In the last quarter of 2015, SM Hotels will be opening Park Inn by Radisson in Pampanga. This is the second Park Inn Hotel to be managed by Carlson Rezidor. This 150-room hotel is located within the Clarkfield Air Base in Pampanga. In addition, construction of the 347-room Conrad Hotel in the Mall of Asia Complex will be continuing in 2014. This is the first Conrad Hotel in the Philippines and it will be managed by Hilton Worldwide. Conrad Hotel Manila is scheduled to start operations in the last quarter of 2015.

The Property Group's land banking initiatives will continue in 2014.

The Retail Group will be opening one department store, one supermarket, fifteen SaveMore branches and three hypermarkets.

The above expenditures will be funded through internally generated sources and other capital raising initiatives such as bond issuances and loan availments.

A.iv Brief Description of the General Nature and Scope of the Company's Business and Its Subsidiaries

SM Investments Corporation (SMIC), is the holding company of the SM Group of Companies. For management purposes, the Group is organized into business units based on their products and services. As a result of the Property Group corporate restructuring in 2013, the Group changed the presentation of its segment information and has identified three reportable operating segments as follows: property, retail, and financial services and others.

The property segment is involved in mall, residential and commercial development and hotels and convention centers operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers. Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise.

The financial services and others segment primarily includes the Parent Company which engages in asset management and capital investments, and associates which are involved in financial services.

SMIC was incorporated in the Philippines on 15 January 1960 with its registered office at 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City, Philippines.

Retail

SM Retail, Inc. ("**SM Retail**") was incorporated in June 2002 and started operations in January 2008. It is the holding company for the Group's retail and merchandising operations.

SM Retail organizes its retail and merchandising operations broadly into two categories: non-food and food. Non-food retail operations consist of the business of "The SM Store", formerly called SM Department Stores. Food retail operations comprise the SM Supermarkets, SaveMore, SM Hypermarkets, and Walter Mart stores.

Non-Food

"The SM Store" signifies the business' commitment to being the fashion store for all amid rapidly changing fashion trends, highly competitive local and global labels and increased purchasing power. In line with its rebranding, the business continues to roll out new store designs and layouts to accommodate more brands and deliver an enhanced shopping experience. An institution that has become part of the lives of many Filipinos, it serves millions of customers through its fifty three (53) stores across the country.

These fifty three (53) stores are strategically located in Metro Manila and key provincial cities, making it possible for the SM brand to be available to a wide customer base. Five (5) stores, Makati, Cubao, Quiapo, Harrison, and Delgado, are standalone stores while the forty-eight (48) stores are based inside the SM Supermalls.

In 2015, three (3) new stores were opened in San Mateo, Rizal; Cabanatuan, Nueva Ecija; and Cebu Seaside, Cebu City. These new stores contributed an additional 20,932 sq. m., bringing the net selling area of the fifty-three (53) stores to 471,700 sq. m.

In spite of the expansion of established Department Store chains as well as the entry of foreign brands, the SM Store has maintained its market leadership in the department store format. This can be attributed to product innovations, new brand entries, and the growth of in-house brands that make the offerings of the store unique to competition. Moreover, innovative store designs and improved customer service and amenities ensure that "The SM Store" is a cut above the rest of the retailers in the country. These improvements in the brand mix of The SM Store have garnered recognition from local and international associations. Testament to this is the Best of the Best Award from Retail Asia for the past five consecutive years, and the elevation of The SM Store as a Hall of Fame Awardee.

Food

SM Supermarkets, SaveMore and SM Hypermarkets

As of December 31, 2015, there are forty-five (45) *SM Supermarkets*, one hundred thirty-six (136) *SaveMore* stores and forty-four (44) *SM Hypermarkets*.

SM Supermarket stores are located within the malls. SaveMore stores, on the other hand, are not limited to malls but serve as modernized neighbourhood or community stores. SM Hypermarkets, the largest store format, provides wholesaling options with the widest variety of items for varying customer needs.

In 2015, five (5) supermarkets were opened in San Mateo, Rizal; Cabanatuan, Nueva Ecija; Cherry Shaw, Mandaluyong City; Sangandaan, Caloocan City; and Seaside Cebu.

In 2015, twenty-four (24) Savemore branches were opened in Salawag Dasmariñas City; San Fernando, La Union; M. Alvarez, Las Piñas City; Talavera, Nueva Ecija; Light Residences, Mandaluyong City; Binalonan, Pangasinan; Muzon, San Jose Del Monte City; Naga Cebu; Echague, Isabela; City Mall Consolacion, Cebu; Banlic, Cabuyao Laguna; Subic, Zambales; Dinalupihan, Bataan; Nasugbu, Batangas; Sorsogon 2, Bicol; Silay, Negros Occidental; City Mall Imus, Cavite; M Place South Triangle, Quezon City; La Trinidad, Benguet; City Walk, Tarlac; Binangonan, Rizal; Alaminos, Pangasinan; Sta. Ana, Pampanga; and Cabuyao, Laguna.

In 2015, two (2) hypermarkets were opened. These are located in Lapu-Lapu, Cebu; and Cherry Congressional, Quezon City.

The net selling area of the two hundred twenty-five (225) stores is 617,878 sq. m.

For 2016, the Food Group plans to open new 22 stores. Expansion plans for 2016 include the opening of two (2) supermarkets, eighteen (18) Savemore branches and two (2) hypermarkets.

Walter Mart Supermarket, Inc. (WSI)

WSI is mainly engaged in the business of supermarket retailing, was registered with the SEC in January 1994.

It opened eight (8) new stores in 2015 bringing the total number of stores to thirty-two (32) as of the December 31, 2015. It plans to grow its store network by at least eight (8) stores annually.

Property

SM Prime Holdings, Inc. (“SM Prime”), is the country’s leading shopping mall developer and operator. In 2013, the Sy family initiated a corporate restructuring exercise to consolidate all of the SM Group’s real estate subsidiaries and real estate assets under SM Prime. The reorganization was approved by the Board of Directors of SM Prime on May 31, 2013. The reorganization was achieved through (1) SM Land’s tender offers for SM Development Corporation (SMDC) and Highlands Prime, Inc. (HPI), (2) Merger of SM Prime and SM Land, and (3) Acquisition of Unlisted Real Estate Companies and Assets from SMIC and the Sy Family.

Malls

SM Prime’s mall business unit operates and maintains modern commercial shopping malls and is involved in all related businesses, such as the operation and maintenance of shopping spaces for rent, amusement centers and cinema theaters. Its main sources of revenues include rental income from leases in mall and food court, cinema ticket sales and amusement income from bowling and ice skating. As of December 31, 2015, there are fifty six (56) malls in the Philippines with 7.3 million square meters of gross floor area and six (6) shopping malls in China with 0.9 million square meters of gross floor area.

In 2015, SM Prime’s mall business unit opened five (5) malls in the Philippines and one mall in China, namely, SM Megacenter Cabanatuan, SM City San Mateo in Rizal, SM City Cabanatuan, SM Center Sangandaan in Caloocan, SM Seaside City Cebu and SM Zibo. The new malls added 775,441 square meters of gross floor area. For 2016, the Company’s mall business unit is set to open five new malls, located in Cavite, Bulacan, Pasig, Quezon City and Antipolo, as well as the expansions of SM City Calamba and SM City Naga. By yearend, the mall business unit will have an estimated 8.6 million square meters of gross floor area.

Residential

SM Prime’s revenue from residential operations is derived largely from the sale of condominium units. As of December 31, 2015, there are twenty seven (27) residential projects in the market, twenty five (25) of which are in Metro Manila and two (2) in Tagaytay. For the year 2016, SM Prime’s residential business unit will be launching approximately 11,000 to 14,000 residential units. These projects will be situated in various areas within Metro Manila like Quezon City, Bicutan, Sucat, Las Pinas, and Pasay City. SM Prime is also set to launch new mixed-use developments in Bulacan, Pampanga and Cavite.

The residential segment also includes leisure and resort developments. These properties are located within the vicinity of Tagaytay Highlands and Tagaytay Midlands golf clubs in Laguna, Tagaytay City and Batangas. Pico de Loro Cove, a master planned coastal resort township development in Nasugbu, Batangas, encompassing 13 coves and 31 kilometers of coastline, is the first residential community within Hamilo Coast.

Commercial

SM Prime’s commercial business unit is engaged in the development, leasing, operation and management of office buildings in prime locations in Metro Manila.

SM Prime’s flagship project is the MOA Complex in Pasay City, a 60-hectare master planned bayside development with the renowned SM Mall of Asia as its anchor tenant and main attraction, among other commercial, business, and entertainment establishments within the Complex. A major attraction in the complex is the landmark 16,000-indoor seating SM Mall of Asia Arena, as well as SM Prime’s signature E-com Centers, a series of modern and iconic office buildings mostly targeting technology-based industries, BPO companies and shipping companies. Other similar office building developments catering to the BPO industry include the SM Cyber buildings, a mix of build-to-suit and ready-to-use office spaces in Makati City and Quezon City.

In 2015, two (2) commercial properties were completed namely, Five E-com Center, with a gross leasable area of 82,710 sq.m., and Cyber West, a 15-level office building located at the corner of EDSA and West Avenue, Quezon City.

As of December 31, 2015, there are five (5) office buildings with an estimated gross leasable area of 205,000 square meters. Two (2) projects, namely, Three E-Com and Four E-com Centers will continue construction in 2016. These are slated for opening in 2017 and 2019, respectively.

Hotels and Convention Centers

SM Prime's hotels and convention centers business unit develops and manages the various hotel and convention center properties of the Company. As of December 31, 2015, the hotels and convention centers business unit is composed of five hotels located in Tagaytay City, Batangas, Pampanga, Cebu City and Davao City with 1,167 saleable rooms; four convention centers located in MOA Complex, SM Lanang Premier, SM Aura Premier and SM City Bacolod, and two trade halls located in SM Megamall and SM City Cebu, with a total leasable space of 35,623 sq. m.

Conrad Manila in the Mall of Asia Complex is expected to open in the first half of 2016.

Financial Services

BDO Unibank, Inc. ("**BDO**") is a full-service universal bank in the Philippines. It provides a complete array of industry-leading products and services including Lending (corporate, middle market, SME, and consumer), Deposit-taking, Foreign Exchange, Brokering, Trust and Investments, Credit Cards, Corporate Cash Management and Remittances in the Philippines. Through its local subsidiaries, the Bank offers Leasing and Financing, Investment Banking, Private Banking, Rural Banking, Bancassurance, Insurance Brokerage and Stock Brokerage services.

BDO's institutional strengths and value-added products and services hold the key to its successful business relationships with customers. On the front line, its branches remain at the forefront of setting high standards as a sales and service-oriented, customer-focused force. BDO has one of the largest distribution networks, with more than 1,000 operating branches and over 3,000 ATMs nationwide (including One Network Bank).

Through selective acquisitions and organic growth, BDO has positioned itself for increased balance sheet strength and continuing expansion into new markets. As of 31 December 2015, BDO is the country's largest bank in terms of total assets, loans, deposits and trust funds under management.

The China Banking Corporation ("**China Bank**") was incorporated on July 20, 1920 and commenced business on August 16 of the same year as the first privately owned local commercial bank in the Philippines. It resumed operations after World War II on July 23, 1945 and played a key role in the post-war reconstruction and economic recovery by providing financial support to businesses and entrepreneurs. China Bank (CHIB) was listed since the establishment of the Manila Stock Exchange in 1927 and acquired its universal banking license in 1991. The Bank catered mainly to the Chinese-Filipino commercial sector, but has since expanded its market scope to include the retail and consumer segments. Its core banking franchise stems mainly from its 95-year history in the Philippines, a factor that has deeply entrenched the Bank within the socioeconomic fabric of the Chinese-Filipino community. The Bank's market comprises the corporate, commercial and consumer markets. It provides a wide range of domestic and international banking services, and is one of the largest commercial banks in the country in terms of assets and capital.

China Bank offers a wide range of financial products and services through its network of 517 branches (including 352 branches of China Bank Parent Bank and 165 combined branches of China Bank Savings & Plantersbank) as of December 2015. Complementing this branch network are convenient and secure electronic banking channels for day & night banking service – China Bank TellerCard ATM, China Bank Online (mobile and internet banking), and China Bank TellerPhone (phone banking).

China Bank marked several corporate milestones in 2015, capping the year with the merger of China Bank Savings & Plantersbank, with the former as the surviving bank. The Bank also set-up its investment house subsidiary, China Bank Capital Corp., to provide capital raising, merger & acquisition, financial restructuring, debt and securities underwriting, and economic advisory services to public and private companies. It launched its credit card products - China Bank Prime, Platinum, and World MasterCard credit cards – to complete its suite of consumer banking products. China Bank migrated to the Finacle Core Banking Solution (FCBS) in August 2015 - a more powerful platform from Infosys. This was part of our initiatives under China Bank/CBS PLUS (Program to Level Up our Service) to support the Bank’s expanding operations, enhance service quality and drive customer loyalty, growth, and innovation.

For the 4th straight year, China Bank won a Bell Award for Corporate Governance from the Philippine Stock Exchange (PSE), which honors publicly-listed companies and trading participants that adhere to the highest standards of corporate governance. China Bank is again the only bank among the awardees in the publicly-listed company category, and the only company to have been recognized at all Bell Awards since it was launched in 2012.

In addition, Fitch Ratings affirmed ‘BB’ rating of China Bank’s long term foreign and local currency Issuer Default (IDR) and national long term rating ‘AA-‘. Capital Intelligence rating agency also affirmed its credit rating on China Bank (Financial Strength BBB-) and Foreign Currency Long-Term rating at ‘BBB-’ and short-term foreign currency rating at ‘A3’.

For 2016, China Bank’s goals remain the same: acquire customers, deepen relationships, and strive to be the best bank for its customers. The Bank will continue to maximize value from network expansion through the selection of strategic locations for new branches and business centers to improve market coverage, and develop a more proactive sales structure for the branch and a more team-oriented relationship management. It will grow its revenues at across all fronts by continuing to generate loans from high growth industries such as power, light and water, infrastructure, BPOs, logistics/warehousing among others – defend its niche in the commercial/middle/SME segment and continue to energize growth of consumer loans. The Bank will also continue to diversify and expand fee-based businesses – bancassurance, investment banking, private banking, cash management and trust services.

With the merger of China Bank Savings & Plantersbank, the Bank has put in place a bigger business footprint with improved coverage of the commercial and consumer segments. To achieve this, the savings bank will expand market share by creating customized products for different client segments such as teachers’ loans, putting up regional business centers, implement an integrated digital banking strategy, as well as building and strengthening relationships with emerging SMEs.

Others

Belle Corporation ("**Belle**") was incorporated in 1973 as Belle Mining and Oil Exploration, Incorporated (“Belle Resources”) and, in 1976, was listed on the Philippine Stock Exchange. In 1989, Belle Resources developed a golf club named Tagaytay Highlands International Golf Club, Incorporated (“Tagaytay Highlands”), which became its initial foray into the property development sector. In 1994, Belle Resources changed its name to Belle Corporation to underscore the shift in its principal activity.

In early 2001, Belle decided to spin-off some of its property development assets. The spin-off involved the transfer of approximately 534 hectares of undeveloped land, 70 developed subdivision lots and 25 finished residential units into a newly formed subsidiary, Highlands Prime, Incorporated (“Highlands Prime”). Highlands Prime was registered with the Securities and Exchange Commission on February 15, 2001, and its shares became listed on the Philippine Stock Exchange on April 23, 2002, at which time Belle sold approximately 64% of its interest in Highlands Prime to investors. In August 2013, Belle exchanged its 809 million shares in Highlands Prime for approximately 109 million shares in SM Prime Holdings, Inc. (“SMPH”), pursuant to the tender offer with SM Land, Inc. for the shares of Highlands Prime and SM Development Corp.

On April 14, 2011, Belle acquired all the shares of PremiumLeisure & Amusement, Inc. (“PLAI”) through the issuance of 2.7 billion new common shares. PLAI is a grantee by Philippine Amusement and Gaming Corporation (“PAGCOR”) of a Certificate of Affiliation and Provisional License (the “License”) to operate integrated resorts, including casinos, in the vicinity of the Bagong Nayong Pilipino Manila Bay Entertainment City (“Entertainment City” or “PAGCOR City”). PLAI’s License runs concurrent with the PAGCOR’s Congressional Franchise, which expires in 2033 unless renewed for another 25 years by the Philippine Congress. Belle started construction of the foundation and structure of the integrated resorts in 2010 on 6.2 hectares of land along the entrance of the Entertainment City. In October 2012, Belle and PLAI entered into a Cooperation Agreement with MELCO Crown Entertainment Limited and its Philippine affiliates (collectively, “MCE”). The Cooperation Agreement placed Belle as a co-licensee and the owner of the land and buildings and MCE as a co-licensee, developer and operator of all facilities within the integrated resort, which was subsequently branded as “City of Dreams Manila”. City of Dreams Manila had its soft opening on December 14, 2014 and its Grand Launch on February 2, 2015. Belle, PLAI and MCE have fully complied with the all PAGCOR requirements under the License, as of the date of the soft opening.

Atlas Consolidated Mining & Development Corporation (“**Atlas Mining**”) is a company primarily engaged in metallic mineral exploration and mining.

It operates the Toledo copper mine in the province of Cebu through its wholly-owned subsidiary Carmen Copper Corporation ("Carmen Copper"). The Toledo copper mine is one of the Philippines' largest copper mines, thus making Carmen Copper a principal producer and exporter of copper concentrate in the country. To optimize its operations and its expanded beneficiation plant, Carmen Copper is pursuing the development and commercial distribution of marketable by-products from its copper concentrate processing such as magnetite and pyrite.

Atlas Mining also has a stake in the nickel laterite mining project of Berong Nickel Corporation ("Berong Nickel") in Palawan. Berong Nickel has been engaged in the direct shipping of nickel laterite ore since 2007.

The Net Group includes ten legal entities namely, 19-1 Property Holdings Inc., Crescent Park 19-1 Property Holdings Inc., 18-2 Property Holdings Inc., Crescent Park 18-2 Property Holdings Inc., 6-3 Property Holdings Inc., Crescent Park 6-3 Property Holdings Inc., 6-24 Property Holdings, Inc., Crescent Park 6-24 Property Holdings Inc., 14-678 Property Holdings Inc., and Crescent Park 14-678 Property Holdings, Inc. The portfolio assets are strategically located within the E-square Zone, the largest and only PEZA certified IT park in Bonifacio Global City.

The Portfolio consists of prime Grade A Philippine Economic Zone Authority (PEZA) registered office buildings and land. The gross lot areas is 13,300 square meters while the gross leasable area is 147,000 square meters more or less. The occupancy rate as of December 31, 2015 is at 99.15%. Its tenants base includes top tier local and multinational companies.

A.v Company's Directors and Executive Officers

Please refer to Item 5 of the Information Statement for the discussion on the identity of each of the Company's directors and executive officers including their principal occupation or employment, name and principal business of any organization by which such persons are employed.

A.vi Market Price, Stockholder and Dividend Information

Market Information

The Company's shares of stock are traded in the Philippine Stock Exchange.

	2015				2014			
Stock Prices		High		Low		High		Low
1st Quarter	₱	918.1	₱	811.4	₱	724.0	₱	680.0
2nd Quarter		958.6		871.5		832.0		717.5
3rd Quarter		929.0		840.0		826.5		770.0
4th Quarter		896.0		810.0		820.5		752.5

As of February 29, 2016, the closing price of the Company's shares of stock is ₱820.0/share.

Stockholder and Dividend Information

The number of stockholders of record as of February 29, 2016 was 1,244. Capital stock issued and outstanding as of February 29, 2016 was 803,055,405. As of December 31, 2015, there are no restrictions that would limit the ability of the Company to pay dividends to the common stockholders, except with respect to P147.1 billion, representing accumulated equity in net earnings of subsidiaries. These earnings are not available for dividend distribution until such time that the Parent Company receives the dividends from the subsidiaries.

The policy of the Company is to provide a sustainable dividend stream to its shareholders. The Board determines the dividend payout taking into consideration the Company's operating results, cash flows, capital investment needs and debt servicing requirements. Since its listing in 2005 the Company has been able to declare annual cash dividends equivalent to 30% of prior year earnings and will endeavor to continue doing so while ensuring financial flexibility. Dividends shall be paid within 30 days from the date of declaration.

The cash dividends pertaining to the 2015 earnings will be discussed and determined at the next Board Meeting on April 27, 2016.

On April 29, 2015, the BOD approved the declaration of cash dividends of 106.1% of the par value or P10.61 per share for a total amount of P8,520.4 million in favor of stockholders on record as at May 14, 2015. This was paid on June 9, 2015.

On April 30, 2014, the BOD approved the declaration of cash dividends of 103.4% of the par value or P10.34 per share for a total amount of P8,233.5 million in favor of stockholders on record as at May 30, 2014. This was paid on June 26, 2014.

On April 25, 2013, the BOD approved the declaration of cash dividends of 118.0% of the par value or 11.80 per share for a total amount of P7,423.0 million in favor of stockholders on record as at May 24, 2013. This was paid on June 20, 2013.

On the same date, the BOD approved the declaration of 25% stock dividends in favor of stockholders on record to be fixed by the Philippine SEC.

On June 24, 2013 and July 12, 2013, SEC approved the issuance of 157,000,000 and 629,986 shares as stock dividends to stockholders on record as of July 8, 2013. The stock dividends were issued on August 1, 2013.

The top 20 stockholders as of February 29, 2016 are as follows:

	Name	No. of Shares Held	% to Total
1	PCD Nominee Corp. (Non-Filipino)	268,067,355	33.38%
2	PCD Nominee Corp. (Filipino)	78,959,519	9.83%
3	Hans T. Sy	65,969,521	8.21%
4	Herbert T. Sy	65,960,450	8.21%
5	Harley T. Sy	58,528,292	7.29%
6	Henry T. Sy, Jr.	58,460,450	7.28%
7	Teresita T. Sy	57,085,450	7.11%
8	Elizabeth T. Sy	46,722,988	5.82%
9	Syntrix Holdings, Inc.	31,250,000	3.89%
10	Felicidad T. Sy	25,730,173	3.20%
11	Sysmart Corporation	19,283,830	2.40%
12	Henry Sy Foundation, Inc.	15,000,000	1.87%
13	Felicidad T. Sy Foundation, Inc.	7,500,000	0.93%
14	Henry Sy, Sr.	3,182,550	0.40%
15	Susana Fong	301,999	0.04%
16	Value Plus, Inc.	101,413	0.01%
17	SM Prime Holdings, Inc.	97,403	0.01%
18	Alberto S. Yao	52,135	0.01%
19	Belle Corporation	32,585	0.00%
20	Hector Yap Dimacali	26,068	0.00%
21	Hans Sy FAO Wonderfoods Corp.	26,068	0.00%
22	Benito Gapuz Te	26,068	0.00%

The following securities were issued as exempt from the registration requirements of the Securities Regulation Code (SRC) and therefore have not been registered with the Securities and Exchange Commission:

(1) On June 10, 2014, SMIC issued US$350 million senior bonds which bear a fixed interest rate of 4.875% per annum, payable semi-annually in arrears. The bonds will mature on June 10, 2024. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to 10.1 (l) of RA No. 8799. The underwriter is Citigroup Global Markets Limited and Standard Chartered Bank and the total underwriting fees and expenses amounted to US$1.749 million.

(2) On October 17, 2012, SMIC issued US$500 million senior bonds which bear a fixed interest rate of 4.250% per annum, payable semi-annually in arrears. The bonds will mature on October 17, 2019. The bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to Section 10.1 (k) and 10.1 (l) of RA No. 8799. The underwriter is Citibank N.A. London and the total underwriting fees and expenses amounted to US$2.5 million.

(3) On February 15, 2012, SMIC issued a US$250.0 million Convertible Bonds due on February 15, 2017. The Convertible Bonds, which was listed in the Singapore Stock Exchange, are considered exempt security pursuant to Section 10(g) of R.A. No. 8799. The lead underwriter is Citibank N.A. London and the total underwriting fees and expenses amounted to US$3.125 million. The bonds were fully converted into SMIC common shares as of April 9, 2015.

(4) On October 13, 2010, SMIC issued US$400 million bonds which bear a fixed interest rate of 5.5% per annum, payable semi-annually in arrears. The bonds will mature on October 13, 2017. Of this amount, US$82.9 million and US$130.8 million were exchanged from the existing US$350 million 6.75% bonds due 2013 and US$500 million 6.00% bonds due 2014, respectively. The balance of US$186.3 million represents the new money component. The bonds, which were listed in the Singapore Stock Exchange, are considered as exempt pursuant to Section 10 (1) of RA No. 8799. The underwriters are Citi, HSBC and BDO and the total underwriting fees and expenses amounted to US$1.7 million. SMIC retired/cancelled US$7.1 million bonds on March 25, 2015. The outstanding balance of the bonds amounted to US$392.9 million.

(5) On September 22, 2009, SMIC issued US$500.0 million bonds which bear a fixed interest rate of 6.0% per annum, payable semi-annually in arrears. The bonds, which were listed in Singapore Stock Exchange, are considered as exempt security pursuant to Section 10 (1) of RA No. 8799. The underwriters are Barclays Capital and Citi and the total underwriting fees and expenses amounted to US$2.1 million. The bonds matured on September 22, 2014.

Please refer to Note 20 of the 2015 consolidated financial statements for the details of the Company's fixed rate bonds.

There are no existing or planned stock options/ stock warrant offerings.

A.vii Corporate Governance

Corporate Governance

SMIC recognizes the vital role that the practice of good corporate governance plays in the organization and continues to strengthen its corporate governance culture to mirror the pace of its rapidly growing business. SMIC's platform of governance remains rooted in its Manual on Corporate Governance (the "Manual") and Code of Ethics (the "Code"), which adhere to the principles of good governance. The Company promotes these principles to everyone in the organization and to all of its stakeholders and continues to keep pace with global corporate governance best practices under the guidance of its Board of Directors.

SMIC's Board of Directors (the "Board") is composed of eight (8) directors, three (3) of which are Non-Executive Independent Directors, namely, Mr. Vicente S. Perez, Jr., Mr. Ah Doo Lim and Mr. Joseph R. Higdon. As prescribed by the company's Manual, an independent director must be independent of Management, and should not have substantial shareholdings and material relations, whether it be business or otherwise, which could reasonably be perceived to impede the performance of independent judgment. Furthermore, none of SMIC's independent directors have served the Company as a regular director, officer or employee. Independent directors are tasked to provide balance at the board-level by ensuring impartial discussions during board meetings. They also monitor the performance of Management, as well as safeguard the interests of the company's various stakeholders.

The Manual and the Code provide SMIC with the foundation needed to foster its corporate governance culture. The Manual institutionalizes the principles of good corporate governance throughout the organization. It lays down SMIC's compliance system and identifies the roles and responsibilities of the Board and Management in relation to corporate governance. The Manual also provides the policies on disclosure and transparency, the conduct of communication and training programs on corporate governance, the rights and equitable treatment of stockholders, and the protection of SMIC's stakeholders. There have been no deviations from the Manual since its adoption.

The Code reflects SMIC's mission, vision, and values and serves as a guiding principle for SMIC's directors, officers, and employees in the performance of their duties and responsibilities. Primarily, the Code regulates the relationships and treatment that directors, officers, and employees should employ when dealing with customers, investors, creditors, contractors, supplies, regulators, the public, and the other various stakeholders of the company. To align with the Code, SMIC has adopted several supplemental policies, such as the Guidelines on Acceptance of Gifts, the Insider Trading Policy and the Policy on Accountability, Integrity and Vigilance (PAIV), to name a few. SMIC continues to keep pace with best practice in corporate governance through the continuous review and development of its policies and programs.

SMIC has been recipient to numerous awards and citations for its good governance programs and policies. The Asset, a multi-media entity that serves the Asian financial markets, has awarded SMIC with its prestigious Platinum Award for all-around excellence in management, financial performance, corporate governance, social and environmental responsibility and investor relations for six (6) consecutive years. Likewise, Corporate Governance Asia (CG Asia) a regional publication based in Hong Kong, has annually recognized SMIC as one of the best in corporate governance in the Philippines.

Through the collective efforts of its stakeholders; SMIC continues to develop its corporate governance practices to meet regional and global standards.

A.viii Undertaking to provide without charge a copy of the Company's Annual Report

The Company will provide without charge a copy of the Company's Annual Report on SEC Form 17-A to its stockholders upon receipt of a written request addressed to Ms. Corazon P. Guidote, Senior Vice President for Investor Relations at 10th Floor, OneE-com Center, Harbor Drive, Mall of Asia Complex, Pasay City 1300.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

SyCip Gorres Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of SM Investments Corporation and Subsidiaries in accordance with the Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

TERESITA T. SY	**HARLEY T. SY**	**JOSE T. SIO**
Vice Chairperson of the Board	President	Chief Financial Officer

Signed this 29th day of February 2016.

REPUBLIC OF THE PHILIPPINES)
MAKATI CITY)

SUBSCRIBED AND SWORN to before me this FEB 29 2016 at Makati City, affiants exhibiting to me their Philippine passports, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
TERESITA T. SY	EB9786664	December 10, 2013	Manila
HARLEY T. SY	EB4055697	November 12, 2011	Manila
JOSE T. SIO	EB5104390	April 11, 2012	Manila

DOC. No. 596
PAGE No. 120
BOOK No. XVII
SERIES OF 2016

ATTY. REINIER S. QUIAMBAO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. 5329630 / 01.07.16 / MAKATI CITY
IBP NO. 1023809 / 01.08.16 / TARLAC CITY
TIN 238-251-699 ROLL NO. 62283
MCLE NO. V - 0011632 / 10.06.15

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

SECRETARY'S CERTIFICATE

I, **ELMER B. SERRANO,** of legal age, Filipino and with office address at Suite 2401, The Orient Square, F. Ortigas, Jr. Road, Ortigas Center, Pasig City, after being duly sworn in accordance with law, hereby depose and state that:

1. I am the duly elected and incumbent Corporate Secretary of **SM INVESTMENTS CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of Philippine Law with principal address at 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, Pasay City;

2. At the meeting of the Board of Directors of the Corporation held on April 28, 2014, at which a quorum was present, the Board unanimously adopted and duly approved the following resolutions;

> "**RESOLVED,** That the Corporation's Vice-Chairperson, Teresita T. Sy-Coson, as an alternate to the Chairman, Henry Sy Sr., be, as she is hereby, authorized and empowered to receive, sign, execute, and deliver the Corporation's Annual Reports and Statement of Management Responsibilities to any government or regulatory body;
>
> "**RESOLVED, FINALLY,** That the Vice-Chairperson be, as she is hereby, authorized and empowered to sign, execute, deliver, receive and receipt, for and on behalf of the Corporation, any and all contracts, documents and instruments which may be required or necessary to carry out the foregoing resolution."

3. The foregoing resolutions are in accordance with the records of the Corporation in my possession and I certify that the above resolutions have not been amended nor revoked and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand this FEB 2 4 2016 in Pasig City, Metro Manila.

ELMER B. SERRANO
Corporate Secretary

SUBSCRIBED AND SWORN to before me this FEB 2 4 2016 at Pasig City, affiant exhibited to me his Tax Identification No. 153-406-995.

Kristine Gail C. Ochoa
Appointment No. 23 (2016-2017)
Notary Public for Pasig City
Until December 31, 2017
Attorneys Roll No. 60847
Suite 2401 The Orient Square
F. Ortigas, Jr. Road, Ortigas Center, Pasig City
PTR No. 1385912; 01.05.16; Pasig City
IBP No. 1018269; 01.06.16; RSM

Doc. No. 273;
Page No. 56;
Book No. I;
Series of 2016.

C O V E R S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

						1	6	3	4	2

COMPANY NAME

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

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

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

Form Type	Department requiring the report	Secondary License Type, If Applicable
AACFS		

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
–	**857-0100**	–

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
1,243	**04/27**	**12/31**

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mr. Jose T. Sio	–	**857-0100**	–

CONTACT PERSON's ADDRESS

10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300

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

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

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

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

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
SM Investments Corporation
10th Floor, One E-Com Center
Harbor Drive, Mall of Asia Complex
CBP-1A, Pasay City 1300

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

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

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui
Belinda T. Beng Hui
Partner
CPA Certificate No. 88823
SEC Accreditation No. 0923-AR-1 (Group A),
March 25, 2013, valid until March 24, 2016
Tax Identification No. 153-978-243
BIR Accreditation No. 08-001998-78-2015,
June 26, 2015, valid until June 25, 2018
PTR No. 5321613, January 4, 2016, Makati City

February 29, 2016

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands)

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 29)	**₱53,910,071**	₱69,133,381
Time deposits (Notes 8 and 29)	**9,611,405**	9,000,324
Investments held for trading and sale (Notes 9 and 29)	**1,100,915**	4,190,449
Receivables (Notes 10, 29 and 30)	**32,133,508**	31,009,820
Merchandise inventories - at cost (Note 23)	**16,262,228**	14,882,200
Other current assets (Notes 11 and 29)	**51,312,145**	55,821,423
Total Current Assets	**164,330,272**	184,037,597
Noncurrent Assets		
Available-for-sale investments (Notes 12 and 29)	**21,175,695**	19,205,044
Investments in associate companies and joint ventures (Note 13)	**169,869,391**	145,476,174
Time deposits (Notes 8 and 29)	**53,127,769**	47,579,390
Property and equipment (Note 14)	**19,399,788**	19,903,014
Investment properties (Note 15)	**249,583,502**	211,888,427
Land and development (Note 16)	**27,386,708**	26,629,864
Intangibles (Note 17)	**24,707,221**	22,303,203
Deferred tax assets (Note 27)	**2,569,800**	2,293,944
Other noncurrent assets (Notes 17 and 29)	**38,927,352**	32,567,952
Total Noncurrent Assets	**606,747,226**	527,847,012
	₱771,077,498	₱711,884,609
LIABILITIES AND EQUITY		
Current Liabilities		
Bank loans (Notes 18, 22 and 29)	**₱9,923,215**	₱13,892,641
Accounts payable and other current liabilities (Notes 19 and 29)	**73,123,426**	69,861,065
Income tax payable	**2,023,824**	1,593,060
Current portion of long-term debt (Notes 20, 22, 29 and 30)	**25,994,800**	10,669,108
Dividends payable (Note 29)	**346,281**	264,882
Total Current Liabilities	**111,411,546**	96,280,756
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 20, 22, 29 and 30)	**245,167,269**	237,113,555
Derivative liabilities (Notes 29 and 30)	**–**	58,705
Deferred tax liabilities (Note 27)	**7,434,777**	6,867,925
Tenants' deposits and others (Notes 17, 26, 28, 29 and 30)	**25,364,620**	21,615,259
Total Noncurrent Liabilities	**277,966,666**	265,655,444
Total Liabilities	**389,378,212**	361,936,200
Equity Attributable to Owners of the Parent		
Capital stock (Note 21)	**8,030,554**	7,963,406
Additional paid-in capital (Note 21)	**76,399,625**	71,952,082
Equity adjustments from common control transactions (Note 21)	**(1,902,024)**	(1,902,933)
Cost of Parent common shares held by subsidiaries (Note 21)	**(25,386)**	(25,386)
Cumulative translation adjustment	**1,057,751**	866,360
Re-measurement gain (loss) on defined benefit asset/obligation (Note 26)	**117,738**	(126,530)
Net unrealized gain on available-for-sale investments (Notes 12 and 13)	**12,724,360**	10,207,259
Retained earnings (Note 21):		
Appropriated	**36,000,000**	27,000,000
Unappropriated	**152,004,710**	141,069,856
Total Equity Attributable to Owners of the Parent	**284,407,328**	257,004,114
Non-controlling Interests	**97,291,958**	92,944,295
Total Equity	**381,699,286**	349,948,409
	₱771,077,498	₱711,884,609

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands Except Per Share Data)

	Years Ended December 31		
	2015	2014	2013
REVENUE			
Sales:			
Merchandise	**₱211,361,636**	₱197,080,971	₱180,873,042
Real estate	**22,529,384**	22,629,335	21,242,138
Rent (Notes 15, 22 and 28)	**35,969,341**	32,605,222	27,628,472
Equity in net earnings of associate companies and joint ventures (Note 13)	**14,070,301**	13,225,022	13,602,269
Cinema ticket sales, amusement and others	**6,427,592**	5,771,529	4,945,795
Management and service fees (Note 22)	**1,431,211**	1,452,771	1,437,561
Gain (loss) on sale of available-for-sale investments and fair value changes on investments held for trading - net (Notes 9 and 12)	**(5,417)**	48,493	141,163
Dividend income (Note 22)	**675,066**	595,204	883,494
Others	**3,418,577**	3,206,768	2,826,111
	295,877,691	276,615,315	253,580,045
COST AND EXPENSES			
Cost of sales:			
Merchandise (Note 23)	**163,024,285**	150,917,587	138,720,368
Real estate (Note 16)	**12,238,872**	12,529,076	12,243,534
Selling, general and administrative expenses (Note 24)	**63,707,080**	60,710,150	51,186,393
	238,970,237	224,156,813	202,150,295
OTHER INCOME (CHARGES)			
Interest expense (Notes 22 and 25)	**(10,460,636)**	(11,895,865)	(11,088,046)
Interest income (Notes 22 and 25)	**3,155,800**	3,032,635	3,709,484
Gain (loss) on disposal of investments and properties - net (Notes 13 and 15)	**(51,147)**	2,879,746	546,552
Loss on fair value changes on derivatives - net (Note 30)	**(103,991)**	(189,554)	(997,576)
Foreign exchange gain - net (Note 29)	**240,777**	179,080	59,411
	(7,219,197)	(5,993,958)	(7,770,175)
INCOME BEFORE INCOME TAX	**49,688,257**	46,464,544	43,659,575
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 27)			
Current	**9,271,234**	7,723,852	7,367,602
Deferred	**84,136**	(149,863)	(1,947,105)
	9,355,370	7,573,989	5,420,497
NET INCOME	**₱40,332,887**	₱38,890,555	₱38,239,078
Attributable to			
Owners of the Parent (Note 31)	**₱28,455,260**	₱28,398,584	₱27,445,682
Non-controlling interests	**11,877,627**	10,491,971	10,793,396
	₱40,332,887	₱38,890,555	₱38,239,078
Basic/Diluted Earnings Per Common Share Attributable to Owners of the Parent (Note 31)	**₱35.68**	₱35.66	₱34.85

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
NET INCOME	**₱40,332,887**	₱38,890,555	₱38,239,078
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that will be reclassified to profit or loss in subsequent periods			
Net unrealized gain on available-for-sale investments (Note 12)	**788,704**	4,243,049	2,290,960
Share in unrealized gain (loss) on available-for-sale investments of associates - net (Notes 12 and 13)	**(1,773,250)**	435,121	(2,756,754)
Cumulative translation adjustment	**364,928**	(720,937)	892,452
Income tax relating to items to be reclassified to profit or loss in subsequent periods	**(107,726)**	112,849	(2,841,627)
	(727,344)	4,070,082	(2,414,969)
Items not to be reclassified to profit or loss in subsequent periods			
Re-measurement gain (loss) on defined benefit obligation (Note 26)	**330,445**	129,883	(201,304)
Income tax relating to items not to be reclassified to profit or loss in subsequent periods	**(99,134)**	(38,965)	60,391
	231,311	90,918	(140,913)
TOTAL COMPREHENSIVE INCOME	**₱39,836,854**	₱43,051,555	₱35,683,196
Attributable to			
Owners of the Parent	**₱31,408,020**	₱30,969,070	₱23,836,811
Non-controlling interests	**8,428,834**	12,082,485	11,846,385
	₱39,836,854	₱43,051,555	₱35,683,196

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands Except Per Share Data)

	Equity Attributable to Owners of the Parent											
	Capital Stock	Additional Paid-in Capital	Equity Adjustments from Common Control Transactions	Cost of Parent Common Shares Held by Subsidiaries	Cumulative Translation Adjustment	Net Unrealized Gain on Available-for-Sale Investments	Re-measurement Gain (Loss) on Defined Benefit Asset/ Obligation	Appropriated Retained Earnings	Unappropriated Retained Earnings	Total	Non-controlling Interests	Total Equity
Balance at December 31, 2014	₱7,963,406	₱71,952,082	(₱1,902,933)	(₱25,386)	₱866,360	₱10,207,259	(₱126,530)	₱27,000,000	₱141,069,856	₱257,004,114	₱92,944,295	₱349,948,409
Net income	–	–	–	–	–	–	–	–	28,455,260	28,455,260	11,877,627	40,332,887
Other comprehensive income	–	–	–	–	191,391	2,517,101	244,268	–	–	2,952,760	(3,448,793)	(496,033)
Total comprehensive income	–	–	–	–	191,391	2,517,101	244,268	–	28,455,260	31,408,020	8,428,834	39,836,854
Issuance of Parent common shares (Note 21)	67,148	4,833,081	–	–	–	–	–	–	–	4,900,229	–	4,900,229
Reversal of appropriation (Note 21)	–	–	–	–	–	–	–	(18,000,000)	18,000,000	–	–	–
Appropriation during the year	–	–	–	–	–	–	–	27,000,000	(27,000,000)	–	–	–
Cash dividends - ₱10.61 per share (Note 21)	–	–	–	–	–	–	–	–	(8,520,406)	(8,520,406)	–	(8,520,406)
Decrease in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	(303,245)	(303,245)
Common control transactions (Note 5)	–	–	909	–	–	–	–	–	–	909	–	909
Acquisition of non-controlling interests	–	(385,538)	–	–	–	–	–	–	–	(385,538)	–	(385,538)
Cash dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(3,777,926)	(3,777,926)
Balance at December 31, 2015	₱8,030,554	₱76,399,625	(₱1,902,024)	(₱25,386)	₱1,057,751	₱12,724,360	₱117,738	₱36,000,000	₱152,004,710	₱284,407,328	₱97,291,958	₱381,699,286
Balance at December 31, 2013	₱7,962,723	₱57,799,360	(₱2,584,210)	(₱25,386)	₱1,233,177	₱7,338,500	(₱195,074)	₱27,000,000	₱120,904,727	₱219,433,817	₱80,807,031	₱300,240,848
Net income	–	–	–	–	–	–	–	–	28,398,584	28,398,584	10,491,971	38,890,555
Other comprehensive income	–	–	–	–	(366,817)	2,868,759	68,544	–	–	2,570,486	1,590,514	4,161,000
Total comprehensive income	–	–	–	–	(366,817)	2,868,759	68,544	–	28,398,584	30,969,070	12,082,485	43,051,555
Issuance of Parent common shares (Note 21)	683	47,194	–	–	–	–	–	–	–	47,877	–	47,877
Cash dividends - ₱10.34 per share (Note 21)	–	–	–	–	–	–	–	–	(8,233,455)	(8,233,455)	–	(8,233,455)
Decrease in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	(728,799)	(728,799)
Common control transactions (Note 5)	–	–	681,277	–	–	–	–	–	–	681,277	–	681,277
Re-issuance by a subsidiary of treasury shares to non-controlling shareholders (Note 21)	–	14,105,528	–	–	–	–	–	–	–	14,105,528	3,540,159	17,645,687
Cash dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(2,756,581)	(2,756,581)
Balance at December 31, 2014	₱7,963,406	₱71,952,082	(₱1,902,933)	(₱25,386)	₱866,360	₱10,207,259	(₱126,530)	₱27,000,000	₱141,069,856	₱257,004,114	₱92,944,295	₱349,948,409
Balance at December 31, 2012	₱6,229,746	₱42,858,920	(₱2,332,796)	(₱125,906)	₱266,915	₱11,718,559	₱–	₱35,000,000	₱94,458,694	₱188,074,132	₱73,570,846	₱261,644,978
Net income	–	–	–	–	–	–	–	–	27,445,682	27,445,682	10,793,396	38,239,078
Other comprehensive income	–	–	–	–	966,262	(4,380,059)	(195,074)	–	–	(3,608,871)	1,052,989	(2,555,882)
Total comprehensive income	–	–	–	–	966,262	(4,380,059)	(195,074)	–	27,445,682	23,836,811	11,846,385	35,683,196
Issuance of Parent common shares (Note 21)	156,404	14,802,328	–	–	–	–	–	–	–	14,958,732	–	14,958,732
Disposal of Parent common shares held by subsidiaries (Note 21)	–	138,112	–	100,520	–	–	–	–	–	238,632	–	238,632
Cash dividends - ₱11.80 per share (Note 21)	–	–	–	–	–	–	–	–	(7,423,076)	(7,423,076)	–	(7,423,076)
Stock dividends (Note 21)	1,576,573	–	–	–	–	–	–	–	(1,576,573)	–	–	–
Reversal of appropriation (Note 21)	–	–	–	–	–	–	–	(8,000,000)	8,000,000	–	–	–
Increase in previous year's non-controlling interests	–	–	–	–	–	–	–	–	–	–	1,830,497	1,830,497
Common control transactions (Notes 5 and 21)	–	–	(251,414)	–	–	–	–	–	–	(251,414)	(2,083,843)	(2,335,257)
Cash dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(4,356,854)	(4,356,854)
Balance at December 31, 2013	₱7,962,723	₱57,799,360	(₱2,584,210)	(₱25,386)	₱1,233,177	₱7,338,500	(₱195,074)	₱27,000,000	₱120,904,727	₱219,433,817	₱80,807,031	₱300,240,848

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱49,688,257**	₱46,464,544	₱43,659,575
Adjustments for:			
Equity in net earnings of associate companies and joint ventures (Note 13)	**(14,070,301)**	(13,225,022)	(13,602,269)
Interest expense (Note 25)	**10,460,636**	11,895,865	11,088,046
Depreciation and amortization (Notes 14, 15 and 24)	**11,362,639**	10,907,625	9,513,584
Interest income (Note 25)	**(3,155,800)**	(3,032,635)	(3,709,484)
Loss (gain) on disposal of investments and properties - net (Notes 13 and 15)	**51,147**	(2,879,746)	(546,552)
Dividend income	**(675,066)**	(595,204)	(883,494)
Unrealized foreign exchange loss	**196,389**	424,836	1,213,565
Loss on fair value changes on derivatives - net (Note 30)	**103,991**	189,554	997,576
Loss (gain) on available-for-sale investments and fair value changes on investments held for trading - net (Notes 12 and 30)	**5,417**	(48,493)	(141,163)
Provision (reversal) of impairment loss (Notes 10, 13 and 15)	**478,869**	(288,547)	(1,018,156)
Income before working capital changes	**54,446,178**	49,812,777	46,571,228
Decrease (increase) in:			
Land and development	**(13,361,520)**	(21,724,031)	(20,763,530)
Other current assets	**10,995,306**	(3,599,889)	(6,220,848)
Merchandise inventories	**(1,380,028)**	(1,649,892)	870,608
Receivables	**1,000,248**	(513,876)	(2,268,025)
Increase (decrease) in:			
Accounts payable and other current liabilities	**11,252,775**	(1,112,518)	16,109,852
Tenants' deposits and others	**3,953,160**	3,645,973	3,600,244
Defined benefit liability (Note 26)	**191,114**	123,467	126,011
Net cash generated from operations	**67,097,233**	24,982,011	38,025,540
Income tax paid	**(8,840,875)**	(7,737,385)	(7,220,176)
Net cash provided by operating activities	**58,256,358**	17,244,626	30,805,364
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of:			
Available-for-sale and held for trading investments	**51,350**	2,246,972	1,646,038
Held for trade investments	**35,000**	–	–
Property and equipment	**23,324**	236,518	374,196
Investment properties	**4,964**	134,890	8,596
Shares of stock of associate companies	**–**	7,448,221	1,108,036
Additions to:			
Investment properties (Note 15)	**(46,874,389)**	(32,791,017)	(25,885,092)
Investments in associate companies and joint ventures (Note 13)	**(15,546,154)**	(1,925,455)	(5,492,653)
Property and equipment (Note 14)	**(4,543,157)**	(4,522,820)	(5,131,795)
Trademarks (Note 17)	**(2,404,018)**	–	–
Available-for-sale and held for trading investments	**(1,242,195)**	(3,089,078)	–
Decrease (increase) in:			
Time deposits	**(3,264,204)**	252,851	5,572,971
Other noncurrent assets	**1,037,522**	7,953,799	4,817,513
Dividends received	**6,197,671**	4,996,065	4,758,493
Interest received	**3,084,147**	3,518,976	3,924,505
Acquisition of non-controlling interests in a subsidiary	**(442,500)**	–	–
Acquisition of subsidiaries, net of cash acquired (Note 5)	–	–	(16,750,597)
Net cash used in investing activities	**(63,882,639)**	(15,540,078)	(31,049,789)

(Forward)

	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Long-term debt	**₱32,888,435**	₱84,040,740	₱66,196,550
Bank loans	**19,298,894**	10,862,833	60,249,390
Payments of:			
Long-term debt	**(14,241,354)**	(47,795,955)	(47,783,598)
Bank loans	**(23,268,320)**	(24,568,200)	(70,185,745)
Interest	**(11,983,766)**	(12,138,889)	(11,753,597)
Dividends	**(12,216,934)**	(10,935,343)	(13,243,597)
Re-issuance by a subsidiary of treasury shares to non-controlling shareholders (Note 21)	**–**	17,645,687	–
Proceeds from issuance of new common shares (Note 21)	**–**	–	6,424,666
Disposal of Parent common shares held by subsidiaries (Note 21)	**–**	–	100,520
Net cash provided by (used in) financing activities	**(9,523,045)**	17,110,873	(9,995,411)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(15,149,326)**	18,815,421	(10,239,836)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(73,984)**	108,303	(265,227)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**69,133,381**	50,209,657	60,714,720
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱53,910,071**	₱69,133,381	₱50,209,657

See accompanying Notes to Consolidated Financial Statements.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

SM Investments Corporation (SMIC or Parent Company) was incorporated in the Philippines on January 15, 1960. On June 3, 2009, the Philippine Securities and Exchange Commission (SEC) approved the amendment of SMIC's articles of incorporation for the extension of the Parent Company's corporate life for another 50 years from January 15, 2010. Its registered office address is 10th Floor, One E-Com Center, Harbor Drive, Mall of Asia Complex, CBP-1A, Pasay City 1300.

The Parent Company and its subsidiaries (collectively referred to as the Group), and its associates and joint ventures are involved primarily in the property, retail and financial services and other businesses.

The Parent Company's shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) as approved and recommended for approval by the Audit Committee on February 29, 2016.

2. Basis of Preparation and Statement of Compliance

Basis of Preparation

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for derivative financial instruments, investments held for trading and available-for-sale (AFS) investments which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency under Philippine Financial Reporting Standards (PFRS). All values are rounded to the nearest thousands except when otherwise indicated.

Statement of Compliance

The consolidated financial statements have been prepared in compliance with PFRS.

Basis of Consolidation

The Group is considered to have control over an investee, if and only if, the Group has:

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

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included or excluded in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative translation adjustments recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in profit or loss; and,
- Reclassifies the Parent Company's share of components previously recognized in OCI to profit or loss or retained earnings, as appropriate.

The consolidated financial statements include the accounts of the Parent Company and the subsidiaries listed below:

		Percentage of Ownership			
		2015		2014	
Company	Principal Activities	**Direct**	**Indirect**	Direct	Indirect
Property					
SM Prime Holdings, Inc. (SM Prime) and Subsidiaries	Real estate development	**50**	**–**	49	1
SM Development Corporation (SMDC) and Subsidiaries	Real estate development	**–**	**100**	–	100
Magenta Legacy, Inc.	Real estate development	**–**	**100**	–	100
Associated Development Corporation	Real estate development	**–**	**100**	–	100
Highlands Prime, Inc. (HPI)	Real estate development	**–**	**100**	–	100
Summerhills Home Development Corp.	Real estate development	**–**	**100**	–	100
CHAS Realty and Development Corporation (CHAS) and Subsidiaries	Real estate development	**–**	**100**	–	100
Costa del Hamilo, Inc. (Costa) and Subsidiaries	Real estate development	**–**	**100**	–	100
Prime Metro Estate, Inc. (PMI) and Subsidiary	Real estate development	**–**	**100**	–	100
Rappel Holdings, Inc. and Subsidiaries	Real estate development	**–**	**100**	–	100
SM Arena Complex Corporation (SM Arena)	Conventions	**–**	**100**	–	100
SM Hotels and Conventions Corp. and Subsidiaries	Hotel and conventions	**–**	**100**	–	100
Tagaytay Resort Development Corporation	Real estate development	**–**	**100**	–	100
MOA Esplanade Port, Inc.	Port terminal operations	**–**	**100**	–	–
Mountain Bliss Resort and Development Corporation and Subsidiary	Real estate development	**100**	**–**	100	–
Intercontinental Development Corporation (ICDC)	Real estate development	**97**	**3**	97	3
Prime Central, Inc. and Subsidiaries	Real estate development	**100**	**–**	100	–
Bellevue Properties, Inc.	Real estate development	**62**	**–**	62	–

Company	Principal Activities	Percentage of Ownership 2015 Direct	2015 Indirect	2014 Direct	2014 Indirect
Net Group	Real estate development	**90**	**–**	90	–
Nagtahan Property Holdings, Inc. (formerly AD Farming)	Real estate development	**100**	**–**	100	–
Retail					
SM Retail, Inc. (SM Retail) and Subsidiaries	Retail	**100**	**–**	100	–
Others					
Primebridge Holdings, Inc. (Primebridge)	Investment	**80**	**20**	80	20
Asia Pacific Computer Technology Center, Inc.	Education	**52**	**–**	52	–
Multi-Realty Development Corporation (MRDC)	Investment	**91**	**–**	91	–
Henfels Investments Corp.	Investment	**99**	**–**	99	–
Belleshares Holdings, Inc. and Subsidiaries (formerly SM Commercial Properties, Inc.)	Investment	**59**	**40**	59	40
Sto. Roberto Marketing Corp.	Investment	**100**	**–**	100	–

The principal place of business and country of incorporation of the subsidiaries listed above is in the Philippines.

Material Partly-owned Subsidiary
The non-controlling interests of SM Prime is material to the Group. Non-controlling shareholders hold 50% of SM Prime as at December 31, 2015 and 2014.

The summarized financial information of SM Prime follows:

Financial Position

	December 31 **2015**	2014
	(In Thousands)	
Current assets	**₱97,992,191**	₱104,016,168
Noncurrent assets	**335,836,248**	284,823,991
Total assets	**433,828,439**	388,840,159
Current liabilities	**69,490,733**	50,799,205
Noncurrent liabilities	**148,494,859**	135,802,751
Total liabilities	**217,985,592**	186,601,956
Total equity	**₱215,842,847**	₱202,238,203
Attributable to:		
Owners of the Parent	**₱212,488,822**	₱199,087,690
Non-controlling interests	**3,354,025**	3,150,513
	₱215,842,847	₱202,238,203

Statements of Income

	Years Ended December 31		
	2015	2014	2013
	(In Thousands)		
Revenue	**₱71,511,287**	₱66,240,070	₱59,794,410
Costs and expenses	**40,072,460**	38,553,561	35,658,865
Other income (charges)	**3,472,012**	(4,012,373)	(3,425,454)
Income before income tax	**34,910,839**	23,674,136	20,710,091
Provision for income tax	**6,018,246**	4,777,647	3,984,163
Net income	**₱28,892,593**	₱18,896,489	₱16,725,928
Attributable to:			
Owners of the Parent	**₱28,302,092**	₱18,390,352	₱16,274,820
Non-controlling interests	**590,501**	506,137	451,108
	28,892,593	18,896,489	16,725,928
Other comprehensive income	**(8,847,601)**	5,083,311	1,441,681
Total comprehensive income	**₱20,044,992**	₱23,979,800	₱18,167,609
Attributable to:			
Owners of the Parent	**₱19,454,280**	₱23,474,512	₱17,717,168
Non-controlling interests	**590,712**	505,288	450,441
Total comprehensive income	**₱20,044,992**	₱23,979,800	₱18,167,609
Dividends paid to non-controlling interests	**(₱387,200)**	(₱309,760)	(₱329,760)

Summarized Consolidated Statements of Cash Flows

	Years Ended December 31		
	2015	2014	2013
	(In Thousands)		
Net cash inflow from operating activities	**₱31,938,138**	₱6,751,379	₱23,541,574
Net cash outflow from investing activities	**(55,230,236)**	(29,388,619)	(30,365,993)
Net cash inflow from financing activities	**14,015,494**	30,750,446	12,636,372
Effect of exchange rate changes on cash and cash equivalents	**(98,694)**	(9,506)	30,187
Net increase in cash and cash equivalents	**(₱9,375,298)**	₱8,103,700	₱5,842,140

3. Summary of Significant Accounting Policies, Changes and Improvements

The significant accounting policies adopted in the preparation of the consolidated financial statements are summarized below.

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

Time Deposits
Time deposits are cash placements with original maturities of more than three months but less than one year. Time deposits with maturities of more than twelve months after the reporting period are presented under noncurrent assets.

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

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

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

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

The Group determines the policies and procedures for both recurring and non-recurring fair value measurements. 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.

The Group recognizes transfers into and transfers out of fair value hierarchy levels by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) as at the date of the event or change in circumstances that caused the transfer.

Financial Instruments

Date of Recognition
The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets, recognition and de-recognition, as applicable, that require delivery of assets within the time frame established by regulation or convention in the market place are recognized on the settlement date. Derivatives are recognized on a trade date basis.

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

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

"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 fair value (a "Day 1" difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset or liability. In cases where use is made of data which is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement 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 and Liabilities at FVPL
Financial assets and liabilities at FVPL include financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Gains or losses on investments held for trading are recognized in the consolidated statement of income under "Gain (loss) on sale of available-for-sale investments and fair value changes on investments held for trading - net" account. Interest income earned on investment held for trading are recognized in "Interest income" account in the consolidated statement of income.

Financial assets and liabilities may be designated by management at initial recognition as 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 and liabilities or recognizing gains or losses on a different basis; or,
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance 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 recorded.

The Group's investments held for trading and derivative assets are classified as financial assets at FVPL, while the Group's derivative liabilities arising from issuance of convertible bonds and derivative financial instruments with negative fair values are also included as financial liabilities at FVPL.

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

After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized and impaired, as well as through the amortization process. Loans and receivables are included under current assets if realizability or collectibility is within twelve months after the reporting period. Otherwise, these are classified as noncurrent assets.

The Group's cash and cash equivalents, time deposits, receivables (including noncurrent portion of receivables from real estate buyers), advances and other receivables (included under "Other current assets" account), long-term notes (included under "Other noncurrent assets" account) are classified under this category.

AFS Investments
AFS investments are non-derivative financial assets that are designated under this category or are not classified in any of the other categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. Subsequent to initial recognition, AFS investments are carried at fair value in the consolidated balance sheet. Changes in the fair value of such assets are reported as net unrealized gain or loss on AFS investments in the consolidated statement of comprehensive income under "Net unrealized gain (loss) on available-for-sale investments" account until the investment is derecognized or the investment is determined to be impaired. On de-recognition or impairment, the cumulative gain or loss previously reported in consolidated statement of comprehensive income is transferred to the consolidated statement of income. Interest earned on holding AFS investments are recognized in the consolidated statement of income using the effective interest method. Assets under this category are classified as current if expected to be disposed of within 12 months after the reporting period. Otherwise, they are classified as noncurrent.

The Group's investments in shares of stock, bonds and corporate notes, redeemable preferred shares and club shares are classified under this category. The current portion is included under "Investments held for trading and sale" account in the consolidated balance sheet.

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

Other financial liabilities are recognized initially at fair value and are subsequently carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs. Gains and losses on other financial liabilities are recognized in the consolidated statement of income when the liabilities are derecognized, as well as through the amortization process.

The Group's bank loans, accounts payable and other current liabilities, dividends payable, long-term debt and tenants' deposits and others are classified under this category.

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

- deliver cash or another financial asset to another entity; or,
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the 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 Cost
Debt issue cost is presented as a reduction in long-term debt and amortized over the term of the related borrowings using the effective interest method.

Derivative Financial Instruments
The Group uses derivative financial instruments such as long-term cross-currency swaps, foreign currency call options, interest rate swaps, options and non-deliverable forwards to hedge the risks associated with foreign currency and interest rate fluctuations. Derivative financial instruments, including bifurcated embedded derivatives, are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Cash Flow Hedges
Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the consolidated statement of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized as “Cumulative translation adjustment” account in the consolidated statement of comprehensive income, whereas any hedge ineffectiveness is immediately recognized in the consolidated statement of income under “Loss on fair value changes on derivatives - net” account.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized. However, if an entity expects that all or a portion of a loss recognized in OCI will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported as “Cumulative translation adjustment” is retained in the OCI until the hedged transaction impacts the consolidated statement of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in the consolidated statement of comprehensive income is recognized immediately in the consolidated statement of income.

Other Derivative Instruments Not Accounted for as Hedges
Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately under "Loss on fair value changes on derivatives - net" account in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Embedded Derivative
An embedded derivative is a component of a hybrid (combined) instrument that also includes a non-derivative host contract with the effect that some of the cash flows of the combined instrument vary, in a way similar to a stand-alone derivative. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first 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.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case, a reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both, have changed and whether the change is significant relative to the previously expected cash flows on the contract.

Options arising from the Group's long-term note (recorded under "Noncurrent Assets") and convertible bonds payable are the Group's bifurcated embedded derivatives.

De-recognition of Financial Assets and Liabilities

Financial Assets. A financial asset is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

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 modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Impairment of Financial Assets
The Group assesses at each reporting period whether a financial asset or a 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 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 a group of financial assets that can be reliably estimated. Objective evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

If there is objective evidence that an impairment loss on loans and receivables carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the impaired asset shall be reduced through the use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral, if any, has been realized or has been transferred to the Group. If in a subsequent period, the amount of the impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the allowance account. If a future write off is later recovered, the recovery is recognized in the consolidated statement of income to the extent of the carrying amount that would have been determined had no impairment loss been recognized.

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

AFS Investments. The Group assesses at each reporting period whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS investments, an objective evidence of impairment would include a significant or prolonged decline in the fair value of the investments below its cost. Significant decline in fair value is evaluated against the original cost of the investment, while prolonged decline is assessed against the periods in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the consolidated statement of income, is removed from the consolidated statement of comprehensive income and recognized in the consolidated statement of income. Impairment losses on equity investments are not reversed through the consolidated statement of income; increases in fair value after impairment are recognized directly in the consolidated statement of comprehensive income.

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Merchandise Inventories
Merchandise inventories are valued at the lower of cost and net realizable value. Cost, which includes all costs directly attributable to acquisition, such as purchase price and transport costs, is primarily determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

Land and Development and Condominium and Residential Units for Sale
Land and development and condominium and residential units for sale are stated at the lower of cost and net realizable value. Cost includes those costs incurred for development and improvement of the properties. Net realizable value is the selling price in the ordinary course of business less costs to complete and the estimated cost to make the sale.

Land and development includes properties held for future development and properties being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation. Cost incurred for the development and improvement of the properties includes the following:

- Land cost;
- Amounts paid to contractors for construction and development; and,
- Borrowing costs, planning and design costs, costs of site preparation, professional fees, property transfer taxes, construction overheads and other related costs.

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

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

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

The Group's investments in associate companies and joint ventures are accounted for under the equity method of accounting. Under the equity method, investment in associate companies and joint ventures is carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share in net assets of the associate or joint venture.

On acquisition of the investment, any difference between the cost of the investment and the investor's share in the net fair value of the associate's or joint venture's identifiable assets, liabilities and contingent liabilities is accounted for as follows:

a. goodwill relating to an associate or joint venture is included in the carrying amount of the investment. However, amortization of that goodwill is not permitted and is therefore not included in the determination of the Group's share in the associate's or joint venture's profits or losses; and,
b. any excess of the Group's share in the net fair value of the associate's and joint venture's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the investor's share of the associate's or joint venture's profit or loss in the period in which the investment is acquired.

The consolidated statement of income reflects the share in the results of operations of the associate or joint venture. Where there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share in any changes and discloses this in the consolidated statement of comprehensive income. Profits and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the Group's interest in the associate or joint venture.

Appropriate adjustments to the investor's share of the associate's or joint venture's profit or loss after acquisition are made to account for the depreciation of the depreciable assets based on their fair values at the acquisition date and for impairment losses recognized by the associate or joint venture, such as for goodwill or property, plant and equipment.

After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to the Group's net investment in the associate companies and joint ventures. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate companies and joint ventures is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate companies and joint ventures and its carrying value, then, recognizes the loss in the statement of income.

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

Property and Equipment

Property and equipment, except land, is stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment consists of its purchase price, including import duties, taxes and any directly attributable costs necessary in bringing the asset to its working condition and location for its intended use. Cost also includes any related asset retirement obligation and related interest incurred during the construction.

Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the items can be measured reliably. All other repairs and maintenance are charged against current operations as incurred.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Buildings and improvements	5–25 years
Store equipment and improvements	5–10 years
Data processing equipment	5 years
Furniture, fixtures and office equipment	3–10 years
Machinery and equipment	5–10 years
Leasehold improvements	5–10 years or term of the lease, whichever is shorter
Transportation equipment	5–10 years

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period. The carrying values of the assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation and amortization is credited or charged to current operations.

When property and equipment are retired or otherwise disposed of, the cost and related accumulated depreciation and amortization and accumulated provision for impairment losses are removed from the accounts and any resulting gain or loss is charged to profit or loss.

Investment Properties

Investment properties include property that are held to earn rentals and for capital appreciation and property under construction or re-development. Investment properties, except land, are measured at cost, less accumulated depreciation and amortization and accumulated impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the investment property has been put in operation such as repairs and maintenance costs are charged to current operations.

Depreciation and amortization are calculated on a straight-line basis over the following estimated useful lives of the assets:

Land improvements	3–5 years
Buildings and improvements	10–40 years
Building equipment, furniture and others	3–15 years
Building and leasehold improvements	5 years or term of the lease, whichever is shorter

The residual values, useful lives and method of depreciation and amortization of the assets are reviewed and adjusted, if appropriate, at the end of each reporting period.

Investment property is derecognized when disposed or permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are charged to profit or loss.

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

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

Construction in Progress

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Cost also includes interest on borrowed funds incurred during the construction period. Construction in progress is not depreciated until such time that the relevant assets are completed and are ready for use.

Tenants' Deposits

Tenants' deposits are measured at amortized cost. Tenants' deposits refer to security deposits received from various tenants upon inception of the respective lease contracts on the Group's investment properties. At the termination of the lease contracts, the deposits received by the Group are returned to tenants, reduced by unpaid rental fees, penalties and/or deductions from repairs of damaged leased properties, if any. The related lease contracts usually have a term of more than twelve months.

Property Acquisitions, Business Combinations and Acquisitions of Non-controlling Interests

Property Acquisitions and Business Combinations. When property is acquired through corporate acquisitions or otherwise, management considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents an acquisition of a business.

When such an acquisition is not judged to be an acquisition of a business, it is not treated as a business combination. Rather, the cost to acquire the entity is allocated between the identifiable assets and liabilities of the entity based on their relative fair values at the acquisition date.

Accordingly, no goodwill or additional deferred tax arises. Otherwise, the acquisition is accounted for as a business combination.

Business combinations are accounted for using the acquisition method except for business combinations under common control in which an accounting similar to pooling of interest method is used. Business combinations under common control are those in which all of the combining entities or businesses are controlled by the same party or parties both before and after the business combination, and that control is not transitory. Under the acquisition method, the cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in "Selling, general and administrative expenses" account in the consolidated statement of income.

For accounting similar to pooling of interest method, the assets, liabilities and equity of the acquired companies for the reporting period in which the common control business combinations occur, and for any comparative periods presented, are included in the consolidated financial statements of the Group at their carrying amounts as if the combinations had occurred from the date when the acquired companies first became under the control of the Group. The excess of the cost of business combinations over the net carrying amounts of the assets and liabilities of the acquired companies is recognized under "Equity adjustments from common control transactions" account in the equity section of the consolidated balance sheet.

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

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in accordance with Philippine Accounting Standard (PAS) 39, *Financial Instruments: Recognition and Measurement* either in profit or loss or as a change to OCI. If the contingent consideration is classified as equity, it should not be re-measured and subsequent settlement is accounted for within equity.

Acquisitions of Non-controlling Interests. Changes in the Parent Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in equity.

Goodwill

Initial Measurement of Goodwill or Gain on a Bargain Purchase. Goodwill is initially measured by the Group at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss as gain on a bargain purchase.

Subsequent Measurement of Goodwill. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Impairment Testing of Goodwill. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU), or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree 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 as defined in PFRS 8, *Operating Segments*, before aggregation.

Frequency of Impairment Testing. Irrespective of whether there is any indication of impairment, the Group tests goodwill acquired in a business combination for impairment at least annually.

Allocation of Impairment Loss. An impairment loss is recognized for a CGU if the recoverable amount of the unit or group of units is less than the carrying amount of the unit or group of units. The impairment loss is allocated to reduce the carrying amount of the assets of the unit or group of units first to reduce the carrying amount of goodwill allocated to the CGU or group of units and then to the other assets of the unit or group of units pro rata on the basis of the carrying amount of each asset in the unit or group of units.

Measurement Period. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports in its consolidated financial statements provisional amounts for the items for which the accounting is incomplete. The measurement period ends as soon as the Group receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. The measurement period shall not exceed one year from the acquisition date.

Intangible Assets

The cost of trademarks and brand names acquired in a business combination is the fair value as at the date of acquisition. The Group assessed the useful life of the trademarks and brand names to be indefinite because based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

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

The cost of trademarks acquired as an asset is its acquisition cost and amortized over useful life.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset at the date of disposal and are recognized in profit or loss when the asset is derecognized.

Other Noncurrent Assets
Other noncurrent assets include land use rights which are amortized over its useful life of 40–60 years.

Impairment of Nonfinancial Assets
The carrying values (property and equipment, investment properties and investments in associate companies and joint ventures, intangibles with definite useful life and other noncurrent assets) are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists, and if the carrying value exceeds the estimated recoverable amount, the assets or CGUs are written-down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or 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. 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 CGU to which the asset belongs. Impairment losses are recognized in the consolidated statement 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 loss may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income. After such a reversal, the depreciation or 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.

Capital Stock
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

Revenue and Cost Recognition
Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding discounts, rebates and sales taxes or duties. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as a principal or as an agent. The Group has concluded that it is acting as principal in majority of its revenue arrangements.

Sale of Merchandise Inventories. Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer, which is normally upon delivery. Sales returns and sales discounts are deducted from sales to arrive at sales shown in the consolidated statement of income.

Sale of goods under consignment arrangements with suppliers is recognized as revenue upon billing, delivery and transfer of goods to customers.

Sale of Real Estate. The Group assesses whether it is probable that the economic benefits will flow to the Group when the sales prices are collectible. Collectibility of the sales price is demonstrated by the buyer's commitment to pay, which is supported by the buyer's initial and continuous investments that motivates the buyer to honor its obligation. Collectibility is also assessed by considering factors such as collections, credit standing of the buyer and location of the property.

Revenue from sales of completed real estate projects is accounted for using the full accrual method. In accordance with Philippine Interpretations Committee Q&A No. 2006-01, the percentage-of-completion (POC) method is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold, the equitable interest has been transferred to the buyer, construction is beyond preliminary stage (i.e., engineering, design work, construction contracts execution, site clearance and preparation, excavation and the building foundation are finished), and the costs incurred or to be incurred can be measured reliably. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Any excess of collections over the recognized receivables are included in the "Tenants' deposits and others" account in the consolidated balance sheet. If any of the criteria under the full accrual or POC method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the "Tenants' deposits and others" account in the consolidated balance sheet.

Cost of real estate sales is recognized consistent with the revenue recognition method applied. Cost of condominium and residential units sold before the completion of the development is determined on the basis of the acquisition cost of the land plus its full development costs, which include estimated costs for future development works.

The cost of inventory recognized in the consolidated statement of income upon sale is determined with reference to the specific costs incurred on the property, allocated to saleable area based on relative size and takes into account the POC used for revenue recognition purposes.

Revenue from construction contracts are recognized using the POC method, measured principally on the basis of the estimated physical completion of the contract work.

Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in the estimated cost to complete the condominium project which affects cost of real estate sold and gross profit are recognized in the year in which changes are determined.

Rent. Revenue is recognized on a straight-line basis over the lease term or based on the terms of the lease as applicable.

Sale of Cinema and Amusement Tickets. Revenue is recognized upon receipt of cash from the customer which coincides with the rendering of services.

Gain on Sale of Investments in Associate Companies and Joint Ventures and Available-for-Sale Investments. Revenue is recognized upon delivery of the securities to and confirmation of the sale by the broker.

Dividend. Revenue is recognized when the Group's right as a shareholder to receive the payment is established.

Management and Service Fees. Revenue and expense is recognized when earned and incurred, respectively, in accordance with the terms of the agreements.

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

Selling, General, Administrative and Other Expenses. Costs and expenses are recognized as incurred.

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

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

Defined benefit costs comprise the following:

- Service cost;
- Net interest on the net defined benefit liability or asset; and,
- Re-measurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized on the earlier of the date of the plan amendment or curtailment, and the date the Group recognizes restructuring-related costs.

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

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

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

Foreign Currency-denominated Transactions
Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated at the functional currency rate of exchange as at reporting date. Nonmonetary items denominated in foreign currency are translated using the exchange rates as at the date of initial recognition. All differences are recognized in profit or loss.

Foreign Currency Translation
The assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange as at reporting date and their respective statements of income are translated at the weighted average rates for the year. The exchange differences arising on the translation are included in the consolidated statement of comprehensive income and are presented within the "Cumulative translation adjustment" account in the consolidated statement of changes in equity. On disposal of a foreign entity, the deferred cumulative amount of exchange differences recognized in equity relating to that particular foreign operation is recognized in profit or loss.

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.

Group as Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized lease assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement 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 benefits of ownership of the asset are classified as operating leases. Lease 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 over the lease term on the same basis as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Provisions

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

Borrowing Cost

Borrowing cost is capitalized as part of the cost of the asset if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing cost commences when the activities to prepare the asset are in progress and expenditures and borrowing cost is being incurred. Borrowing cost is capitalized until the assets are substantially ready for their intended use. Borrowing cost is capitalized when it is probable that they will result in future economic benefits to the Group. All other borrowing costs are expensed as incurred. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowings is used.

Taxes

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

Deferred Tax. Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of excess Minimum Corporate Income Tax (MCIT) and Net Operating Loss Carryover (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 excess 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 subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 income tax assets to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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

Income tax relating to items recognized directly in the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income and not in the consolidated statement of income.

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

Value-added Tax (VAT). Revenue, 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,
- for receivables and payables that are stated with the amount of tax included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of “Other current assets” or “Accounts payable and other current liabilities” accounts in the consolidated balance sheet.

<u>Business Segments</u>
The Group is organized and managed separately according to the nature of business. The three major operating businesses of the Group are property, retail and financial services and others. These operating businesses are the basis upon which the Group reports its segment information in the consolidated financial statements.

<u>Basic/Diluted Earnings Per Common Share (EPS)</u>
Basic EPS is computed by dividing the net income for the period attributable to owners of the Parent by the weighted-average number of issued and outstanding common shares during the period, with retroactive adjustment for any stock dividends declared.

For the purpose of computing diluted EPS, the net income for the period attributable to owners of the Parent and the weighted-average number of issued and outstanding common shares are adjusted for the effects of all dilutive potential ordinary shares.

<u>Contingencies</u>
Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed 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 when an inflow of economic benefits is probable.

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

Changes in Accounting Policies and Disclosures
The accounting policies adopted are consistent with those of the previous year except for the adoption of the following amendments to standards and improvements, starting January 1, 2015. The adoption did not have any significant impact on the Group's consolidated financial statements.

- Amendments to PAS 19, *Defined Benefit Plans: Employee Contributions*
- Annual Improvements to PFRSs 2010–2012 Cycle
  - PFRS 2, *Share-based Payment – Definition of Vesting Condition*
  - PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*
  - PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  - PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Depreciation and Amortization*
  - PAS 24, *Related Party Disclosures – Key Management Personnel*
- Annual Improvements to PFRSs 2011–2013 Cycle
  - PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*
  - PFRS 13, *Fair Value Measurement – Portfolio Exception*
  - PAS 40, *Investment Property*

Future Changes in Accounting Policies
The following are the new standards, amendments and improvements to PFRS that were issued but are not yet effective as at December 31, 2015. The Group intends to adopt the applicable standards, interpretations, amendments and improvements when these become effective.

Deferred

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*

  This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective may result to a change in revenue and cost recognition from percentage of completion method to completed contract method.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (Amendments)

  These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.

- PAS 27, *Separate Financial Statements* - Equity Method in Separate Financial Statements (Amendments)

  The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.

- PFRS 11, *Joint Arrangements* - Accounting for Acquisitions of Interests (Amendments)

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

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

- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)

  The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:

  - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;

- That specific line items in the statement of income and OCI and the statement of financial position may be disaggregated;
- That entities have flexibility as to the order in which they present the notes to financial statements; and,
- That the share of OCI of associate and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

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

- PFRS 14, *Regulatory Deferral Accounts*

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

- PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture* - Bearer Plants (Amendments)

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

- PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets* - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)

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

- Annual Improvements to PFRSs (2012–2014 cycle)

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

  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*

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

  - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*

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

  - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*

    This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.

  - PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*

    This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

  - PAS 34, *Interim Financial Reporting – Disclosure of Information 'elsewhere in the interim financial report'*

    The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- PFRS 9, *Financial Instruments*

  In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments. The new standard (renamed as PFRS 9) reflects all phases of the financial instruments project and replaces PAS 39 and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. PFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. Retrospective application is required, but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Early application of previous versions of PFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before February 1, 2015. The Group did not early adopt PFRS 9.

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

Standards issued by the IASB but not yet adopted locally by SEC and FRSC

- International Financial Reporting Standard (IFRS) 15, *Revenue from Contracts with Customers*

  IFRS 15 was issued in May 2014 by the IASB and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

- IFRS 16, *Leases*

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

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

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

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

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These judgments, estimates and assumptions are based upon management's evaluation of relevant facts and circumstances as at reporting date.

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:

Revenue Recognition on Real Estate. The Group's process of selecting an appropriate revenue recognition method for a particular real estate sales transaction requires certain judgments based on the buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment and completion of development. The buyer's commitment is evaluated based on collections, credit standing of the buyer and location of the property. The completion of development is determined based on engineer's judgments and estimates on the physical portion of contract work done and the completion of development beyond the preliminary stage.

Property Acquisitions and Business Combinations. The Group acquires subsidiaries which own real estate. At the time of acquisition, the Group considers whether the acquisition represents an acquisition of a business or a group of assets and liabilities. The Group accounts for an acquisition as a business combination if it acquires an integrated set of business processes in addition to the real estate property. The consideration is made to the extent that the significant business processes are acquired and the additional services to be provided by the subsidiary.

When the acquisition of subsidiary does not constitute a business, it is accounted for as an acquisition of a group of assets and liabilities. The purchase price of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the date of acquisition, no goodwill or deferred tax is recognized.

Consignment Arrangements on Retail Segment. The retail segment of the Group has entered into various consignment arrangements with suppliers. Under these arrangements, the Group bears significant risks and rewards associated with the sale of goods. Management has determined that it is acting as principal in these sales transactions. Accordingly, sales revenue is recognized at gross amount upon actual sales to customers. The related inventory stocks supplied under these arrangements are only payable to suppliers when actually sold.

Operating Lease Commitments - Group as Lessor. Management has determined that the Group retains all the significant risks and rewards of ownership of the properties and thus, accounts for the contracts as operating leases. The ownership of the asset is not transferred to the lessee by the end of the lease term, the lessee has no option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option is exercisable, and, the lease term is not for the major part of the asset's economic life.

Operating Lease Commitments - Group as Lessee. Management has determined that all the significant risks and benefits of ownership of these properties remain with the lessor and thus, accounts for these leases as operating leases.

Assessing Significant Influence over Associates. Management assessed that the Group has significant influence over all its associates by virtue of the Group's more than 20% voting power in the investee, representation on the board of directors, and participation in policy-making processes of the associates.

Assessing Joint Control of an Arrangement and the Type of Arrangement. Management assessed that the Group has joint control of Waltermart Mall by virtue of a contractual agreement with other shareholders. Waltermart Mall is a joint venture arrangement as it is a separate legal entity and its stockholders have rights to its net assets.

Impairment of AFS Investments - Significant or Prolonged Decline in Fair Value. Management determines that a decline in fair value of greater than 20% of cost is considered to be a significant decline and a decline for a period of longer than 12 months is considered to be a prolonged decline. The determination of what is significant or prolonged requires judgment and includes an evaluation of price volatility. In addition, impairment may be appropriate when there is evidence of deterioration in the financial health of the investee, industry and sector performance.

Assessing of Control or Significant Influence of Investees

SM Prime. SMIC has 50% ownership interest in SMPH. Management assessed that SMIC has control of SM Prime as SMIC holds significantly more voting rights than any other vote holder or organized group of vote holders, and the other shareholdings are widely dispersed giving SMIC the power to direct relevant activities of SM Prime.

Net Group. Management assessed that SMIC has control of these land-holding companies as the contracting parties intend to align the voting interest in the land-holding companies to reflect the economic interest in these subsidiaries. On June 27, 2014, the Board of Directors and stockholders of the land-holding companies approved the amendment of the Articles of Incorporation to reclassify all its voting preferred shares to common shares resulting in the alignment of SMIC's voting and economic interests. The amendment was approved by the SEC on various dates in 2015 (see Note 5).

In addition, SMIC has secured its interest in the land by virtue of its long-term leases on both the buildings and land (see Note 5).

BDO Unibank, Inc. (BDO). The Group has 44% ownership interest in BDO. Management assessed that the Group does not have control of BDO as the Group's voting rights are not sufficient to give it power to direct the relevant activities of BDO (see Note 13).

Premium Leisure Corp. (PLC). The Group has 3% ownership interest in PLC. PLC is a subsidiary of Belle Corporation (Belle). In 2015, Management assessed that the Group has also significant influence over PLC through its associate, Belle.

Estimates and Assumptions

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

Revenue and Cost Recognition. The Group's revenue from real estate and construction contracts recognized based on the POC are measured principally on the basis of the estimated completion of a physical proportion of the contract work.

Impairment of Receivables. The Group maintains an amount of allowance for impairment loss considered adequate to provide for potential uncollectible receivables. The allowance is evaluated on the basis of factors that affect the collectibility of the accounts including the length of the Group's relationship with the customers and counterparties, average age of accounts and collection experience. The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and to provide the appropriate allowance for doubtful accounts. The review is accomplished using a combination of specific and collective assessment. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. See Note 10 for related balances.

Impairment of AFS Investments - Calculation of Impairment Losses. The computation for the impairment of AFS debt instruments requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. In the case of AFS equity instruments, the Group expands its analysis to consider changes in the investee's industry and sector performance, legal and regulatory framework, changes in technology and other factors that affect the recoverability of the Group's investments. See Note 12 for related balances.

Net Realizable Value of Merchandise Inventories, Condominium and Residential Units for Sale, and Land and Development. The Group writes down merchandise inventories, condominium and residential units for sale, and land and development to net realizable value, through the use of an allowance account, whenever the net realizable value of the assets become lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. See Notes 16 and 23 for related balances.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the assets 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 allowance account is reviewed on a regular basis to reflect the accurate valuation in the financial records. In 2015 and 2014, the Group assessed that the net realizable value of merchandise inventories, condominium and residential units for sale and land and land development are higher than cost, hence, the Group did not recognize any losses on write-down.

Estimated Useful Lives of Property and Equipment and Investment Properties. The useful life of each of the Group's property and equipment and investment properties is estimated based on the period over which the asset is expected to be available for use. Such estimation is based on a collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the asset. It is possible, however, that future financial performance could be materially affected by changes in the amounts and timing of recorded expenses brought about by changes in the factors mentioned above. See Notes 14 and 15 for related balances.

Impairment of Investments in Associate Companies and Joint Ventures. Impairment review of investments in associate companies and joint ventures is performed when events or changes in circumstances indicate that the carrying value may not be recoverable. This requires management to make an estimate of the expected future cash flows from the investments and to choose a suitable discount rate in order to calculate the present value of those cash flows. See Note 13 for related balances.

Impairment of Goodwill and Trademarks and Brand Names with Indefinite Useful Lives. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculations is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets. The recoverable amount is most sensitive to the pre-tax discount rates used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. See Note 17 for related balances.

Impairment of Other Nonfinancial Assets. The Group assesses at each reporting date whether there is an indication that an item of property and equipment and investment properties may be impaired. This assessment requires the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets. Future events could cause the Group to conclude that these assets are impaired. Any resulting impairment loss could have a material impact on the financial position and performance of the Group.

The preparation of the estimated future cash flows involves judgments and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in these assumptions may materially affect the Group's assessment of recoverable values and may lead to future additional impairment charges. See Notes 14 and 15 for related balances.

Purchase Price Allocation in Business Combinations. The acquisition method requires extensive use of accounting estimates and judgments to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at acquisition date. It also requires the acquirer to recognize goodwill. The Group's acquisitions have resulted in goodwill and separate recognition of trademarks and brand names with indefinite lives. See Note 5 for related balances.

Realizability of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences and carryforward benefits of excess MCIT and NOLCO is based on the projected taxable income in future periods. Based on the projection, not all deductible temporary differences and carryforward benefits of excess MCIT and NOLCO will be realized. Consequently, only a portion of the Group's deferred tax assets was recognized. See Note 27 for related balances.

Present Value of Defined Benefit Obligation. The present value of the pension obligations depends on a number of factors including the discount rate and rate of salary increase, among others.

The Group determines the appropriate discount rate at the reporting date. In determining the discount rate the Group considers the interest rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based 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 pension and other pension obligations. See Note 26 for related balances.

Fair Value of Financial Assets and Liabilities. The significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates and volatility rates). The amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any changes in the fair value of these financial assets and liabilities would directly affect profit or loss and OCI. See Note 30 for related balances.

Contingencies. The Group is currently involved in legal and administrative proceedings. The Group's estimate of the probable costs for the resolution of these proceedings has been developed in consultation with outside legal counsel handling defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these proceedings will have a material adverse effect on its financial position and performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings.

5. Corporate Restructuring and Significant Acquisitions

Corporate Restructuring
In 2013, SM Prime initiated a corporate restructuring exercise to consolidate all of the Group's real estate subsidiaries and real estate assets under one single listed entity which is SM Prime (collectively, the "SM Property Group"). The overall objective is to bring to the equities market the most comprehensive and integrated Philippine property company that will engage the investor community in the long-term growth potential not just of the Philippine property sector, but also of the consumer and tourism sectors.

Following are the significant corporate restructuring transactions of the SM Property Group:

a. SM Land Inc.'s Tender Offers for SMDC and HPI
b. Merger of SM Prime and SM Land
c. Acquisition of unlisted real estate companies and real estate assets from SMIC and the Sy Family.

The impact to SMIC of the SM Property Group corporate restructuring is as follows:

SMDC, SM Land, SM Prime and Unlisted Real Estate Companies. The corporate restructuring resulted in changes in SMIC's ownership interest in these subsidiaries only without loss of control. The related transaction costs of ₱1,862.1 million was recorded under the "Equity adjustments from common control transactions" account in the equity section of the 2013 consolidated balance sheet.

HPI. The increase in ownership interest of HPI from 27% to 51% resulted in acquisition of control. HPI is ultimately controlled by the Sy Family, hence, the transaction was accounted for as a step acquisition of an associate under common control. HPI was consolidated beginning 2013. The related transaction costs of ₱38.1 million was recognized as an expense under "Selling, general and administrative expenses" account of the 2013 consolidated statement of income.

The difference of ₱1,610.7 million between the carrying value of the net assets disposed to non-controlling interests and the carrying value of the net assets acquired from non-controlling interests was recorded as part of the "Equity adjustments from common control transactions" account in the equity section of the 2013 consolidated balance sheet.

Acquisitions

Net Group. On December 2, 2013, SMIC entered into a Shareholders Agreement and Share Purchase Agreement for the acquisition of 90% ownership interest in the following companies (see Note 4):

6-24 Property Holdings, Inc.
14-678 Property Holdings, Inc.
19-1 Property Holdings, Inc.
18-2 Property Holdings, Inc.
6-3 Property Holdings, Inc.
Crescent Park 6-24 Property Holdings, Inc.
Crescent Park 14-678 Property Holdings, Inc.
Crescent Park 19-1 Property Holdings, Inc.
Crescent Park 18-2 Property Holdings, Inc.
Crescent Park 6-3 Property Holdings, Inc.

As a result of the acquisition, the Net Group became a partially-owned subsidiary of SMIC. The primary reason for acquiring the Net Group was to expand the Group's commercial development operations across major commercial business districts.

In 2014, the fair values of the identifiable assets and liabilities were finalized as follows:

	Fair Values (As at Acquisition Date)
	(In Thousands)
Cash and cash equivalents	₱822,890
Receivables	116,397
Other current assets	184,912
Property and equipment (Note 14)	2,936
Investment properties (Note 15)	16,761,000
Total identifiable assets	17,888,135
Less:	
Trade payables and other current liabilities	652,212
Bank loans	4,923,509
Deferred tax liabilities	2,323,661
Total identifiable liabilities	7,899,382
Total identifiable net assets at fair value	9,988,753
Non-controlling interest measured at proportionate share of the fair value	(998,875)
Goodwill arising from acquisition	3,696,369
Purchase consideration	₱12,686,247

The Net Group's receivables comprise mainly of lease receivables from tenants amounting to ₱116.4 million which was the carrying value as at acquisition date. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

Waltermart Supermarket, Inc. (WSI). In January and May 2013, SM Retail acquired a total of 193,800,000 shares of WSI equivalent to 51% ownership interest for ₱3,570.0 million. WSI is mainly engaged in the business of trading goods and merchandise. As a result of the acquisition, WSI became a partially-owned subsidiary of the Group. The primary reason for acquiring WSI was to expand the Group's market share through the pre-existing stores of WSI.

In 2014, the fair values of the identifiable assets and liabilities were finalized as follows:

	Fair Values (As at Acquisition Date)
	(In Thousands)
Cash and cash equivalents	₱552,991
Receivables	187,710
Inventories	700,154
Property and equipment (Note 14)	425,511
Investment properties (Note 15)	182,774
Other current and noncurrent assets	181,047
Total identifiable assets	2,230,187
Less:	
Trade payables and other current liabilities	1,604,293
Other liabilities	3,606
Total identifiable liabilities	1,607,899
Total identifiable net assets at fair value	622,288
Non-controlling interest measured at proportionate share of the fair value	(304,921)
Goodwill arising from acquisition	3,252,633
Purchase consideration	₱3,570,000

WSI’s receivables comprise mainly of trade receivables amounting to ₱187.7 million which was the carrying value as at acquisition date. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

CHAS. In January 2013, SM Prime entered into a Binding Share Purchases Agreement for the acquisition of 100% interest in CHAS for a total purchase consideration of ₱1,685.0 million. CHAS is engaged in the business of shopping mall operations which owns Cabanatuan Megacenter in Nueva Ecija. SM Prime acquired CHAS to expand its market share through the pre-existing mall of CHAS.

In December 2013, SM Prime completed its acquisition of 100% interest in CHAS.

Total identifiable assets acquired amounted to ₱1,834.0 million, which mainly consist of investment properties amounting to ₱1,385.0 million and cash and other assets amounting to ₱449.0 million. Total identifiable liabilities assumed amounted to ₱149.0 million, which mainly consist of accounts payable and other current liabilities. The resulting identifiable net assets acquired amounted to ₱1,685.0 million. No goodwill is recognized upon completion of the acquisition.

The fair value of acquired receivables amounting to ₱37.0 million (included in “Receivables”) approximates their carrying value. No impairment loss was provided on these receivables.

SMIC’s consolidated revenue and net income would have increased by ₱80.0 million and decreased by ₱105.0 million, respectively, in 2013 had the acquisition of CHAS taken place on January 1, 2013. Total revenue and net income of CHAS included in the consolidated financial statements for 2013 are immaterial.

Net cash outflow from the acquisition of CHAS amounted to ₱2,238.0 million, inclusive of advances made to CHAS prior to the acquisition amounting to ₱665.0 million and net of cash acquired from CHAS amounting to ₱112.0 million.

6. Segment Information

The Group has identified three reportable operating segments as follows: property, retail, and financial services and others.

The property segment is involved in mall, residential and commercial development and hotels and convention centers operations. The mall segment develops, conducts, operates and maintains the business of modern commercial shopping centers and all businesses related thereto such as the conduct, operation and maintenance of shopping center spaces for rent, amusement centers, or cinema theaters within the compound of the shopping centers. Residential and commercial segments are involved in the development and transformation of major residential, commercial, entertainment and tourism districts through sustained capital investments in buildings and infrastructure. The hotels and convention centers segment engages in and carries on the business of hotels and convention centers and operates and maintains any and all services and facilities incident thereto.

The retail segment is engaged in the retail/wholesale trading of merchandise, such as dry goods, wearing apparels, food and other merchandise.

The financial services and others segment primarily includes the Parent Company which engages in asset management and capital investments, and associates which are involved in financial services.

The BOD (Chief Operating Decision Maker) monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with the operating profit or loss in the consolidated financial statements.

Operating Segment Financial Data

			2015		
	Property	**Retail**	**Financial Services and Others**	**Eliminations**	**Consolidated**
			(In Thousands)		
Revenue:					
External customers	**₱67,435,872**	**₱214,595,656**	**₱13,846,163**	**₱–**	**₱295,877,691**
Inter-segment	**16,035,202**	**62,609**	**26,126,817**	**(42,224,628)**	**–**
	₱83,471,074	**₱214,658,265**	**₱39,972,980**	**(₱42,224,628)**	**₱295,877,691**
Segment results:					
Income before income tax	**₱36,806,850**	**₱10,244,553**	**₱20,296,619**	**(₱17,659,765)**	**₱49,688,257**
Provision for income tax	**(6,228,772)**	**(3,043,204)**	**(83,394)**	**–**	**(9,355,370)**
Net income	**₱30,578,078**	**₱7,201,349**	**₱20,213,225**	**(₱17,659,765)**	**₱40,332,887**
Net income attributable to:					
Owners of the Parent	**₱29,989,697**	**₱6,827,606**	**₱20,213,225**	**(₱28,575,268)**	**₱28,455,260**
Non-controlling interests	**588,381**	**373,743**	**–**	**10,915,503**	**11,877,627**

			2014		
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱62,644,074	₱200,028,416	₱13,942,825	₱–	₱276,615,315
Inter-segment	7,493,808	75,500	14,327,200	(21,896,508)	–
	₱70,137,882	₱200,103,916	₱28,270,025	(₱21,896,508)	₱276,615,315
Segment results:					
Income before income tax	₱25,127,676	₱8,721,887	₱13,906,050	(₱1,291,069)	₱46,464,544
Provision for income tax	(4,886,808)	(2,590,050)	(101,865)	4,734	(7,573,989)
Net income	₱20,240,868	₱6,131,837	₱13,804,185	(₱1,286,335)	₱38,890,555
Net income attributable to:					
Owners of the Parent	₱19,725,253	₱5,858,974	₱13,804,185	(₱10,989,828)	₱28,398,584
Non-controlling interests	515,615	272,863	–	9,703,493	10,491,971

			2013		
	Property	Retail	Financial Services and Others	Eliminations	Consolidated
			(In Thousands)		
Revenue:					
External customers	₱56,396,305	₱183,606,666	₱13,577,074	₱–	₱253,580,045
Inter-segment	6,004,771	117,556	16,101,800	(22,224,127)	–
	₱62,401,076	₱183,724,222	₱29,678,874	(₱22,224,127)	₱253,580,045
Segment results:					
Income before income tax	₱23,672,023	₱8,551,740	₱12,331,124	(₱895,312)	₱43,659,575
Provision for income tax	(3,991,614)	(2,446,033)	289,085	728,065	(5,420,497)
Net income	₱19,680,409	₱6,105,707	₱12,620,209	(₱167,247)	₱38,239,078
Net income attributable to:					
Owners of the Parent	₱19,229,302	₱5,748,921	₱12,620,209	(₱10,152,750)	₱27,445,682
Non-controlling interests	451,107	356,786	–	9,985,503	10,793,396

7. Cash and Cash Equivalents

This account consists of:

	2015	2014
	(In Thousands)	
Cash on hand and in banks (Note 22)	**₱9,790,556**	₱9,428,922
Temporary investments (Note 22)	**44,119,515**	59,704,459
	₱53,910,071	₱69,133,381

Cash in banks earn interest at the respective bank deposit rates. Temporary investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group. These investments earn interest at prevailing rates (see Note 25).

Temporary investments amounting to ₱583.9 million and ₱52.0 million as at December 31, 2015 and 2014, are used as collateral for certain loans (see Note 18).

8. Time Deposits

This account consists of:

	2015	2014
	(In Thousands)	
Time deposits:		
Not pledged (Note 22)	**₱62,739,174**	₱54,622,914
Pledged (Notes 20 and 22)	**–**	1,956,800
	62,739,174	56,579,714
Less current portion	**9,611,405**	9,000,324
Noncurrent portion	**₱53,127,769**	₱47,579,390

The time deposits as at December 31, 2015 and 2014 bear annual interest ranging from 1.0% to 4.9%.

Time deposits with maturities of up to 12 months, amounting to ₱4,562.0 million and ₱2,412.0 million as at December 31, 2015 and 2014, respectively, are used as collateral for some bank credit lines.

Interest earned from time deposits is disclosed in Note 25.

9. Investments Held for Trading and Sale

This account consists of:

	2015	2014
	(In Thousands)	
Investments held for trading -		
Bonds	**₱279,359**	₱307,835
AFS investments (Note 12):		
Bonds and corporate notes	**179,282**	986,742
Shares of stock:		
Listed	**642,274**	2,890,592
Unlisted	**–**	5,280
	821,556	3,882,614
	₱1,100,915	₱4,190,449

The Group recognized a loss of ₱0.7 million, gain of ₱2.1 million and a loss of ₱18.2 million from fair value adjustments of investments held for trading in 2015, 2014 and 2013, respectively. The amounts are included under "Gain (loss) on sale of available-for-sale investments and fair value changes on investments held for trading - net" account in the consolidated statements of income. Interest earned on investments held for trading and sale is disclosed in Note 25.

10. Receivables

This account consists of:

	2015	2014
	(In Thousands)	
Trade:		
Real estate buyers	**₱30,942,212**	₱30,642,764
Third-party tenants	**5,981,548**	4,597,101
Related-party tenants (Note 22)	**1,077,357**	1,890,274
Due from related parties (Note 22)	**1,350,612**	1,194,099
Management and service fees (Note 22)	**580,591**	516,967
Dividends (Note 22)	**525,668**	875,032
Total	**40,457,988**	39,716,237
Less allowance for impairment loss	**361,865**	364,834
	40,096,123	39,351,403
Less noncurrent portion of receivables from real estate buyers (Note 17)	**7,962,615**	8,341,583
Current portion	**₱32,133,508**	₱31,009,820

The terms and conditions follow:

- Trade receivables from tenants and management and service fee receivables are noninterest-bearing and are normally collectible on 30- to 90-day terms.

- Receivables from real estate buyers pertain mainly to sale of condominiums and residential units at various terms of payment.

- Dividends receivables are noninterest-bearing and are normally collectible within the next financial year.
- The terms and conditions relating to due from related parties are discussed in Note 22.

The movements in allowance for impairment loss follow:

	2015	2014
	(In Thousands)	
Balance at beginning of year	**₱364,834**	₱334,891
Provision for the year (Note 24)	**5,956**	30,200
Write offs	**(8,925)**	–
Reversal of provision	**–**	(257)
Balance at end of year	**₱361,865**	₱364,834

The allowance for impairment loss pertains mostly to receivables from real estate buyers and tenants.

The aging analysis of receivables follow:

	December 31, 2015					
	Neither	**Past Due but not Impaired**				
	Past Due nor Impaired	**31–90 Days**	**91–120 Days**	**Over 120 Days**	**Impaired**	**Total**
			(In Thousands)			
Trade:						
Real estate buyers:						
Current	**₱18,922,263**	**₱1,245,857**	**₱416,929**	**₱2,035,744**	**₱358,804**	**₱22,979,597**
Noncurrent	**7,962,615**	**–**	**–**	**–**	**–**	**7,962,615**
Third-party tenants	**5,971,383**	**1,354**	**5,750**	**–**	**3,061**	**5,981,548**
Related-party tenants	**1,070,557**	**1,225**	**5,575**	**–**	**–**	**1,077,357**
Due from related parties	**1,350,612**	**–**	**–**	**–**	**–**	**1,350,612**
Management and service fees	**580,591**	**–**	**–**	**–**	**–**	**580,591**
Dividends	**525,668**	**–**	**–**	**–**	**–**	**525,668**
Receivables before allowance for impairment loss	**₱36,383,689**	**₱1,248,436**	**₱428,254**	**₱2,035,744**	**₱361,865**	**₱40,457,988**

	December 31, 2014					
	Neither	Past Due but not Impaired				
	Past Due nor Impaired	31–90 Days	91–120 Days	Over 120 Days	Impaired	Total
			(In Thousands)			
Trade:						
Real estate buyers:						
Current	₱18,299,467	₱1,072,161	₱317,632	₱2,259,074	₱352,847	₱22,301,181
Noncurrent	8,341,583	–	–	–	–	8,341,583
Third-party tenants	4,433,330	3,468	148,316	–	11,987	4,597,101
Related-party tenants	1,890,274	–	–	–	–	1,890,274
Due from related parties	1,194,099	–	–	–	–	1,194,099
Management and service fees	516,967	–	–	–	–	516,967
Dividends	875,032	–	–	–	–	875,032
Receivables before allowance for impairment loss	₱35,550,752	₱1,075,629	₱465,948	₱2,259,074	₱364,834	₱39,716,237

Receivables, other than those identified as impaired, are assessed by the Group’s management as good and collectible.

11. **Other Current Assets**

This account consists of:

	2015	2014
	(In Thousands)	
Land and development (Note 16)	**₱19,814,615**	₱19,571,526
Condominium and residential units for sale (Note 16)	**8,294,523**	7,600,260
Prepaid taxes and other prepayments	**7,611,911**	6,839,583
Advances and deposits	**5,825,915**	4,421,476
Input tax	**2,951,332**	2,995,345
Non-trade receivables	**2,259,735**	10,994,304
Receivable from banks and credit cards	**1,911,701**	1,625,671
Notes receivable (Note 22)	**981,435**	–
Accrued interest receivable (Note 22)	**545,075**	473,422
Escrow fund (Notes 17 and 22)	**437,639**	667,778
Advances for project development	–	16,467
Others	**678,264**	615,591
	₱51,312,145	₱55,821,423

- Prepaid taxes and other prepayments consist of creditable tax certificates received by the Group and prepayments for insurance, real property taxes, rent, and other expenses which are normally utilized within the next financial period.

- Advances and deposits pertain to downpayments made to suppliers or contractors to cover preliminary expenses of the contractors in construction projects. The amounts are noninterest-bearing and are recouped upon every progress billing payment depending on the percentage of accomplishment.

- Non-trade receivables include interest-bearing advances to third parties which are normally collectible within the next financial year. Interest earned from advances to third parties is disclosed as part of “Others” in Note 25.

- Receivable from banks and credit cards are noninterest-bearing and are normally collectible on 30- to 90-day terms.

- Notes receivable pertains to the loan extended by the Parent Company to Atlas Consolidated Mining and Development Corporation (Atlas) on September 17, 2015 amounting to ₱981.4 million. The loan bears interest at 5.0%, payable quarterly, and is renewable for 90-day periods for a maximum of five years at the option of the Parent Company. Interest earned from notes receivable is disclosed as part of “Others” in Note 25.

- Accrued interest receivable relates mostly to time deposits and are normally collected within the next financial year.

- Escrow fund pertains to amounts deposited in the account of an escrow agent as required by the Housing and Land Use Regulatory Board (HLURB) in connection with SMDC’s temporary license to sell properties for specific projects prior to HLURB’s issuance of a license to sell and certificate of registration. Under this temporary license to sell, all payments, inclusive of down payments, reservation and monthly amortization, among others, made by buyers within the selling period shall be deposited in the escrow account. Interest earned from the cash in escrow amounted to ₱24.0 million, ₱7.0 million and ₱5.0 million in 2015, 2014 and 2013, respectively is disclosed as part of “Others” in Note 25.

- Advances for project development mostly pertain to advances for the acquisition of land for future development.

12. Available-for-Sale Investments

This account consists of:

	2015	2014
	(In Thousands)	
Shares of stock:		
Listed	**₱17,048,942**	₱17,379,067
Unlisted	**99,467**	99,467
Bonds and corporate notes	**4,866,562**	5,626,784
Club shares	**13,530**	13,590
	22,028,501	23,118,908
Less allowance for impairment loss	**31,250**	31,250
	21,997,251	23,087,658
Less current portion (Note 9)	**821,556**	3,882,614
Noncurrent portion	**₱21,175,695**	₱19,205,044

- Unlisted shares of stock of the Group pertain to stocks of private corporations. These are classified as AFS investments and are carried at cost since fair value cannot be reliably estimated due to lack of reliable estimates of future cash flows and discount rates necessary to calculate the fair value. There is currently no market for these investments and the Group intends to hold them for the long-term.

- Investments in bonds and corporate notes as at December 31, 2015 and 2014 bear fixed interest rates ranging from 3.9% to 7.5%. These investments will mature on various dates beginning February 2015 to October 2023. The fair values of these investments as at December 31, 2015 and 2014 amounted to US$103.4 million (₱4,866.5 million) and US$125.8 million (₱5,626.8 million), respectively.

The movements in net unrealized gain on AFS investments and share in unrealized gain of associates attributable to the owners of the Parent which are recognized in OCI for the years ended December 31, 2015 and 2014 follow:

	2015	2014
	(In Thousands)	
Balance at beginning of year	**₱10,207,259**	₱7,338,500
Share in net unrealized gain (loss) on AFS investments of associates (Note 13)	**(1,675,726)**	322,170
Gain due to changes in fair value of AFS investments	**4,192,860**	2,595,964
Transferred to profit or loss	**(33)**	(49,375)
Balance at end of year	**₱12,724,360**	₱10,207,259

Gain on disposal of AFS investments recognized under “Gain (loss) on sale of available-for-sale investments and fair value changes on investments held for trading - net” account in the consolidated statements of income amounted to ₱0.6 million, ₱46.3 million and ₱150.9 million for the years ended December 31, 2015, 2014 and 2013, respectively. The amounts are exclusive of non-controlling interests.

Interest earned from AFS investments is disclosed in Note 25.

13. Investments in Associate Companies and Joint Ventures

The movements in this account follow:

	2015	2014
	(In Thousands)	
Cost:		
Balance at beginning of year	**₱95,151,355**	₱96,600,517
Additions	**15,546,154**	1,925,455
Reclassification (Note 12)	**1,719,035**	–
Disposals	**–**	(3,374,617)
Balance at end of year	**112,416,544**	95,151,355
Accumulated equity in net earnings:		
Balance at beginning of year	**50,334,664**	42,393,849
Equity in net earnings	**14,070,301**	13,225,022
Dividends received	**(5,173,241)**	(4,509,077)
Accumulated equity in net earnings of investments sold	**–**	(1,210,251)
Balance at end of year	**59,231,724**	49,899,543
Share in net unrealized gain (loss) on AFS investments of associates	**(1,773,250)**	435,121
	57,458,474	50,334,664
Translation adjustment	**(5,627)**	(9,845)
	₱169,869,391	₱145,476,174

There were no impairment losses for investments in associate companies and joint ventures in 2015 and 2014.

The associate companies and joint ventures of the Group follow:

	Percentage of Ownership				
	December 31, 2015		December 31, 2014		
Company	**Gross**	**Effective**	Gross	Effective	Principal Activities
Associates					
BDO Unibank, Inc. and Subsidiaries (BDO)	**46**	**44**	47	45	Financial services
China Banking Corporation and Subsidiaries (China Bank)	**23**	**20**	22	20	Financial services
Belle and Subsidiaries	**32**	**28**	32	28	Real estate development and tourism
Atlas and Subsidiaries	**29**	**29**	29	29	Mining
Sodexo Benefits and Rewards Services Philippines Inc. (formerly Sodexo Motivation Solutions Philippines, Inc)	**40**	**40**	40	40	Retail
Fast Retailing Philippines, Inc.	**25**	**25**	25	25	Retail
CityMall Commercial Centers, Inc. (CityMall)	**34**	**34**	34	34	Real estate development and tourism
PLC	**3**	**3**	–	–	Gaming
OCLP Holdings, Inc. (OHI)	**40**	**20**	–	–	Real estate development
Fei Hua Real Estate Company (FHREC)	**50**	**25**	50	25	Real estate development
Joint Venture					
Waltermart Mall	**51**	**25**	51	25	Shopping mall development

<u>CityMall</u>
On February 17, 2014, SMIC signed an Investment and Shareholders Agreement for the acquisition of 34.0% ownership interest in CityMall for an initial investment of ₱0.34 million. The remaining 66.0% of the outstanding capital is held by DoubleDragon Properties Corp.

On April 25, 2014, SMIC, in response to a capital call, invested an additional ₱103.0 million equivalent to 1.0 million shares in CityMall.

<u>China Bank</u>
In March 2014, China Bank had a stock rights offering which entitled each eligible stockholder to subscribe to one common share for every 8.834 common shares held as at record date, at an offer price of ₱49.50 per rights share. As at May 5, 2014, the Group has fully exercised its rights share and paid ₱1,804.8 million equivalent to 36.5 million China Bank shares.

In May 2015 and 2014, China Bank declared stock dividends equivalent to 8% of its outstanding capital stock which increased the number of common shares held by the Group by 31.0 million and 28.7 million, respectively. The said shares were issued on September 9, 2015 and October 15, 2014, respectively.

<u>Belle</u>
On various dates in 2013, the Group sold 20.2 million Belle shares and recognized ₱10.8 million of deferred gain. The remaining balance of deferred gain as at December 31, 2015 and 2014 amounted ₱1,065.7 million.

<u>BDO</u>
In 2014, MRDC sold 71.6 million BDO shares for ₱7,403.7 million at ₱104.0 per share resulting to a gain on sale of ₱2,863.4 million which is included under "Gain (loss) on disposal of investments and properties - net" account in the consolidated statement of income.

SMIC's equity interest in BDO was reduced by 1% as a result of BDO's issuance of 64.5 million shares relative to its acquisition of One Network Bank on July 20, 2015.

<u>Atlas</u>
In 2015 and 2014 Primebridge acquired 7.4 million and 2.2 million shares of Atlas for a total consideration of ₱64.2 million and ₱25.7 million, respectively.

<u>OHI</u>
On May 7, 2015, SMPH acquired 39.96% collective ownership interest in OHI, through acquisition of 100% interest in six (6) holding entities, for a total consideration of ₱15,433.0 million, which approximates the proportionate share of SMPH in the fair values of the identifiable net assets of OHI. OHI owns strategic residential, commercial and landbank areas in key cities in Metro Manila.

<u>FHREC</u>
The carrying value of investment in FHREC, a company incorporated in China, amounted to ₱1,109.0 million and ₱749.0 million as at December 31, 2015 and December 31, 2014, with cumulative equity in net earnings amounting to ₱832.0 million and ₱473.0 million as at December 31, 2015 and 2014, respectively.

PLC
At various dates in 2014, the Company acquired a total of 1,041.8 million shares of PLC which is equivalent to 3.29% of the outstanding common stock, at an average price of ₱1.65 a share for a total cost of ₱1,719.0 million.

The investment in PLC was classified under the "Available-for-sale investments" account in the consolidated balance sheet in 2014. In 2015, the investment in PLC was reclassified to "Investments in associate companies and joint ventures" account in the consolidated balance sheet.

WalterMart Mall
The carrying value of investment in WalterMart Mall amounted to ₱5,501.0 million and ₱5,302.0 million as at December 31, 2015 and December 31, 2014, respectively, with cumulative equity in net earnings amounting to ₱386.0 million and ₱187.0 million as at December 31, 2015 and December 31, 2014, respectively.

The condensed financial information of the Group's material associate, BDO, and the reconciliation of its net assets to the carrying amounts in the consolidated financial statements follow:

	2015	2014
	(In Millions)	
Total assets	**₱2,031,254**	₱1,863,649
Total liabilities	**(1,831,641)**	(1,683,980)
Total equity	**199,613**	179,669
Proportion of the Group's ownership	**46%**	47%
	91,822	84,444
Goodwill and others	**14,120**	21,134
Carrying amount of the investment	**₱105,942**	₱105,578

	2015	2014	2013
		(In Millions)	
Interest income	**₱72,127**	₱63,583	₱56,606
Interest expense	**(15,166)**	(12,358)	(13,440)
Other expenses - net	**(31,906)**	(28,397)	(20,520)
Net income	**₱25,055**	₱22,828	₱22,646
Share in net income	**₱11,553**	₱11,002	₱10,676
Other comprehensive income (loss)	**(₱3,830)**	₱390	(₱4,766)
Total comprehensive income	**21,225**	23,218	17,880
Share in comprehensive income	**₱9,867**	₱11,122	₱8,381

The aggregate information of associates and joint ventures that are not individually material follows:

	2015	2014	2013
		(In Millions)	
Share in net income	**₱2,517**	₱2,223	₱2,926
Share in other comprehensive income (loss)	**(87)**	315	(327)
Share in total comprehensive income	**₱2,430**	₱2,538	₱2,599

As at December 31, the fair values of investments in associate companies and joint ventures which are listed in the PSE are as follows:

	2015	2014
	(In Thousands)	
BDO	**₱188,408,619**	₱196,965,081
China Bank	**15,557,433**	18,199,904
Belle	**9,720,256**	16,334,039
Atlas	**2,492,329**	6,148,415
PLC	**666,777**	2,219,117

14. **Property and Equipment**

The movements in this account follow:

	Buildings and Improvements	Store Equipment and Improvements	Data Processing Equipment	Furniture, Fixtures and Office Equipment	Machinery and Equipment	Leasehold Improvements	Transportation Equipment	Construction in Progress	Total
					(In Thousands)				
Cost									
Balance as at December 31, 2013	₱4,405,866	₱11,039,017	₱4,623,449	₱4,614,627	₱3,651,578	₱7,703,423	₱686,694	₱1,327,354	₱38,052,008
Additions	1,041,481	265,057	342,848	617,733	544,813	801,759	52,437	856,692	4,522,820
Reclassifications	5,714,488	(8,595,757)	140,156	627,358	273,524	3,600,135	19,500	(776,085)	1,003,319
Disposals/retirements	(108,430)	(4,953)	(30,884)	(33,948)	(58,338)	(158,692)	(2,764)	(141,458)	(539,467)
Balance as at December 31, 2014	11,053,405	2,703,364	5,075,569	5,825,770	4,411,577	11,946,625	755,867	1,266,503	43,038,680
Additions	800,872	152,336	650,808	610,826	742,385	752,260	101,792	731,878	4,543,157
Reclassifications	(289,467)	(867,136)	(21,409)	(414,655)	1,016,637	37,516	8,723	(887,056)	(1,416,847)
Disposals/retirements	(41,571)	(41,964)	(581,556)	(46,750)	(51,510)	(11,200)	(6,365)	(6,506)	(787,422)
Balance as at December 31, 2015	**₱11,523,239**	**₱1,946,600**	**₱5,123,412**	**₱5,975,191**	**₱6,119,089**	**₱12,725,201**	**₱860,017**	**₱1,104,819**	**₱45,377,568**
Accumulated Depreciation and Amortization									
Balance as at December 31, 2013	₱1,330,044	₱7,187,710	₱3,198,418	₱2,639,827	₱2,307,582	₱2,678,397	₱386,650	₱–	₱19,728,628
Depreciation and amortization (Note 24)	815,286	570,652	608,958	664,357	535,333	1,334,214	(239,563)	–	4,289,237
Reclassifications	826,353	(6,086,373)	(78,738)	40,402	38,734	4,341,977	305,930	–	(611,715)
Disposals/retirements	(78,543)	(3,021)	(16,759)	(27,022)	(50,086)	(92,407)	(2,646)	–	(270,484)
Balance as at December 31, 2014	2,893,140	1,668,968	3,711,879	3,317,564	2,831,563	8,262,181	450,371	–	23,135,666
Depreciation and amortization (Note 24)	847,044	214,937	588,416	569,906	645,372	1,236,659	68,713	–	4,171,047
Reclassifications	(256,195)	(496,178)	(83,987)	(350,202)	456,284	(167,450)	15,590	–	(882,138)
Disposals/retirements	(19,623)	(41,725)	(314,281)	(21,546)	(35,086)	(9,925)	(4,609)	–	(446,795)
Balance as at December 31, 2015	**₱3,464,366**	**₱1,346,002**	**₱3,902,027**	**₱3,515,722**	**₱3,898,133**	**₱9,321,465**	**₱530,065**	**₱–**	**₱25,977,780**
Net Book Value									
As at December 31, 2015	**₱8,058,873**	**₱600,598**	**₱1,221,385**	**₱2,459,469**	**₱2,220,956**	**₱3,403,736**	**₱329,952**	**₱1,104,819**	**₱19,399,788**
As at December 31, 2014	8,160,265	1,034,396	1,363,690	2,508,206	1,580,014	3,684,444	305,496	1,266,503	19,903,014

As at December 31, 2015 and 2014, the Group has no idle property and equipment and the cost of fully depreciated property and equipment still in use amounted to ₱12,069.7 million and ₱11,242.2 million, respectively.

15. **Investment Properties**

The movements in this account follow:

	Land and Improvements	Buildings and Improvements	Building Equipment, Furniture and Others	Construction in Progress	Total
			(In Thousands)		
Cost					
Balance as at December 31, 2013	₱35,057,104	₱135,231,202	₱28,763,306	₱26,330,118	₱225,381,730
Additions	5,560,322	8,069,580	1,738,300	17,422,815	32,791,017
Reclassifications	6,057,326	4,054,655	(5,291,038)	(4,789,397)	31,546
Translation adjustment	(107,095)	(299,725)	(37,595)	(155,710)	(600,125)
Disposals	–	(122,231)	(47,621)	–	(169,852)
Balance as at December 31, 2014	46,567,657	146,933,481	25,125,352	38,807,826	257,434,316
Additions	18,590,095	16,989,356	1,814,237	9,480,701	46,874,389
Reclassifications	335,349	14,738,719	2,229,377	(16,059,390)	1,244,055
Translation adjustment	64,091	99,036	12,795	72,742	248,664
Disposals	(311,144)	(2,833,882)	(87,659)	(6,071)	(3,238,756)
Balance as at December 31, 2015	**₱65,246,048**	**₱175,926,710**	**₱29,094,102**	**₱32,295,808**	**₱302,562,668**
Accumulated Depreciation, Amortization and Impairment Loss					
Balance as at December 31, 2013	₱389,725	₱24,623,465	₱12,480,507	₱123,564	₱37,617,261
Depreciation and amortization (Note 24)	304,954	4,411,548	1,901,886	–	6,618,388
Reclassifications	1,006,644	930,670	(276,046)	–	1,661,268
Translation adjustment	(9,031)	(43,422)	(15,047)	–	(67,500)
Reversal of impairment loss	(199,708)	–	–	–	(199,708)
Disposals	–	(49,968)	(33,852)	–	(83,820)
Balance as at December 31, 2014	1,492,584	29,872,293	14,057,448	123,564	45,545,889
Depreciation and amortization (Note 24)	229,824	4,681,811	2,279,957	–	7,191,592
Reclassifications	(18,722)	398,055	446,328	–	825,661
Translation adjustment	4,041	16,752	18,563	–	39,356
Reversal of impairment loss	–	–	–	(123,564)	(123,564)
Disposals	(41,085)	(360,637)	(98,046)	–	(499,768)
Balance as at December 31, 2015	**₱1,666,642**	**₱34,608,274**	**₱16,704,250**	**₱–**	**₱52,979,166**
Net Book Value					
As at December 31, 2015	**₱63,579,406**	**₱141,318,436**	**₱12,389,852**	**₱32,295,808**	**₱249,583,502**
As at December 31, 2014	45,075,073	117,061,188	11,067,904	38,684,262	211,888,427

As at December 31, 2015 and 2014, the allowance for impairment loss on land and improvements, and construction in progress amounted to ₱600.0 million and ₱723.6 million, respectively. Allowance for impairment loss amounting to ₱123.6 million was written off and ₱199.7 million was reversed in 2015 and 2014, respectively (see Note 24).

Portions of investment properties located in China with carrying value of ₱193.0 million and with estimated fair value of ₱2,169.0 million as at December 31, 2015, were mortgaged as collaterals to secure the domestic borrowings in China (see Note 20).

Rent income from investment properties, which is primarily attributable to SM Prime, amounted to ₱35,969.3 million, ₱32,605.2 million and ₱27,628.5 million for the years ended December 31, 2015, 2014 and 2013, respectively. Consolidated direct operating expenses from investment properties which generate income amounted to ₱26,680.1 million, ₱20,249.6 million and ₱17,075.0 million for the years ended December 31, 2015, 2014 and 2013, respectively.

Construction in progress includes shopping mall complex under construction amounting to ₱24,307.0 million and ₱30,870.0 million, and landbanking and commercial building constructions amounting to ₱7,658.0 million and ₱7,746.0 million as at December 31, 2015 and 2014, respectively.

In 2015, shopping mall complex under construction mainly pertains to cost of land amounting to ₱3,291 million, and costs incurred for the development of SM Trece Martires, SM San Jose Del Monte, and the ongoing expansions and renovations of SM Mall of Asia, SM City Fairview, SM City Sucat and SM Xiamen.

In 2014, shopping mall complex under construction mainly pertains to cost of land amounting to ₱6,576 million and costs incurred for the development of SM Seaside City Cebu, SM City Cabanatuan, SM Center San Mateo, SM Tianjin and SM Zibo and the ongoing expansions and renovations of SM Mall of Asia, SM City Sta. Rosa, SM City Iloilo, SM City Taytay and SM City San Lazaro.

Construction contracts with various contractors related to the construction of the above-mentioned projects amounted to ₱108,759.0 million and ₱81,977.0 million as at December 31, 2015 and 2014, respectively, inclusive of overhead, cost of labor and materials and all other costs necessary for the proper execution of the works. The outstanding contracts are valued at ₱31,099.0 million and ₱17,272.0 million as at December 31, 2015 and 2014, respectively.

Interest capitalized to the construction of investment properties amounted to ₱2,039.0 million, ₱51.0 million and ₱77.0 million in 2015, 2014 and 2013, respectively. Capitalization rates used range from 2.06% to 6.07% and 4.61% to 5.99% for the years ended December 31, 2015 and 2014, respectively. In 2015, foreign exchange loss amounting to ₱642.0 million were also capitalized to the construction of investment property.

The fair value of investment properties amounting to ₱572,921.2 million and ₱571,848.0 million as at December 31, 2015 and 2014, respectively, was determined by accredited independent appraisers with appropriate qualifications and recent experience in the valuation of similar properties in the relevant locations. The fair value represents the price that would be received to sell the investment properties in an orderly transaction between market participants at the measurement date. While appraisal was not done for all investment properties as at December 31, 2015 and 2014, the Group believes that there were no conditions present in 2015 and 2014 that would significantly reduce the fair value of investment properties from that determined on the most recent valuation.

The significant assumptions used in the valuations follow:

Discount rate	10.0%–12.0%
Capitalization rate	7.4%–8.5%
Average growth rate	5.0%

In conducting the appraisal, the independent appraisers used either the Sales Comparison/ Market Data Approach or the Income Approach. The Sales Comparison/ Market Data Approach is a method of comparing prices paid for comparable properties sold or offered for sale in the market against the subject property. The Income Approach is based on the premise that the value of a property is directly related to the income it generates.

The fair value disclosures of the investment properties are categorized under Level 3 as these were based on unobservable inputs.

16. Land and Development and Condominium and Residential Units for Sale

This account consists of:

	2015	2014
	(In Thousands)	
Condominium and residential units for sale (Note 11)	**₱8,294,523**	₱7,600,260
Land and development:		
Current portion (Note 11)	**19,814,615**	19,571,526
Noncurrent portion	**27,386,708**	26,629,864
	₱55,495,846	₱53,801,650

Condominium and Residential Units for Sale

Condominium and residential units for sale pertain to completed projects of SMDC, HPI, Costa and ICDC.

	2015	2014
	(In Thousands)	
Balance at beginning of year	**₱7,600,260**	₱6,213,523
Transfer from land and development	**6,149,228**	4,153,333
Recognized as costs of real estate sold	**(5,638,864)**	(2,766,596)
Adjustment to cost	**183,899**	–
Balance at end of year	**₱8,294,523**	₱7,600,260

The condominium and residential units for sale are stated at cost. There is no allowance for inventory write-down as at December 31, 2015 and 2014.

Land and Development

Land and development include land and cost of ongoing condominium projects.

	2015	2014
	(In Thousands)	
Balance at beginning of year	**₱46,201,390**	₱38,209,713
Development cost incurred	**11,827,278**	14,840,948
Recognized as costs of real estate sold	**(6,600,008)**	(9,579,931)
Transfer to condominium and residential units for sale	**(6,149,228)**	(4,153,333)
Land acquisition	**1,534,242**	6,883,083
Borrowing cost capitalized	**407,549**	690,462
Transfer to property and equipment and others (Notes 14 and 15)	**(19,900)**	(689,552)
Balance at end of year	**47,201,323**	46,201,390
Less current portion (Note 11)	**19,814,615**	19,571,526
Noncurrent portion	**₱27,386,708**	₱26,629,864

The average rates used to determine the amount of borrowing cost eligible for capitalization ranged from 2.0% to 5.2% in 2015 and 3.9% to 4.9% in 2014.

SMDC
Land and development costs attributable to SMDC pertain to the ongoing residential condominium projects. Estimated cost to complete the projects amounted to ₱23,440.0 million and ₱31,912.0 million as at December 31, 2015 and 2014, respectively.

Costa
Costa's land and development projects located at Hamilo Coast in Nasugbu, Batangas, consist of condominium buildings and macro-infrastructure. Estimated liability pertaining to ongoing macro-infrastructure projects amounted to ₱219.0 million and ₱290.0 million as at December 31, 2015 and 2014, respectively.

As at December 31, 2015 and 2014, the development of macro-infrastructure is still ongoing.

HPI
Estimated cost to complete HPI's ongoing projects amounted to ₱831.0 million and ₱1,181.0 million as at December 31, 2015 and 2014 respectively.

ICDC
Land and development costs attributable to ICDC pertain to the ongoing Susana Heights Subdivision project. Estimated cost to complete the project amounted to ₱581.3 million and ₱759.5 million as at December 31, 2015 and 2014, respectively.

Land and development are stated at cost. There is no allowance for inventory write-down as at December 31, 2015 and 2014.

17. Intangibles and Other Noncurrent Assets

Intangible Assets
This account consists of:

	2015	2014
	(In Thousands)	
Goodwill	**₱16,270,060**	₱16,270,060
Less accumulated impairment loss	**91,619**	91,619
Net book value	**16,178,441**	16,178,441
Trademarks and brand names	**8,528,780**	6,124,762
	₱24,707,221	₱22,303,203

Goodwill is allocated to SM Prime, Supervalue, Inc. (SVI), Super Shopping Market, Inc. (SSMI), PMI, the Net Group and WSI and others as separate CGUs.

Trademarks and brand names pertain to that of:

a. the supermarket and hypermarket business of the Group which was acquired in a business combination in 2006 and assessed to have an indefinite life and was valued using the Relief-from-Royalty Method. The royalty rate was 3.5%, which was the prevailing royalty rate in 2006 in the retail assorted category where the two entities fall.

b. the rights, title and interest in the trademark of Cherry Foodarama, Inc. which was accounted for as an acquisition of an asset in 2015 and assessed to have a definite useful life of 20 years.

The recoverable amount of goodwill, trademarks and brand names have been determined based on value-in-use calculations using the cash flow projections from the financial budgets approved by senior management covering a three-year period and fair value less costs of disposal calculations of the underlying net assets of the CGUs.

Value-in-use. The calculations of value-in-use is most sensitive to the following assumptions:

Revenue. Revenue forecasts are management's best estimates considering factors such as index growth to market, customer projections and economic factors.

Pre-tax discount rates. Discount rates reflect the current market assessment of the risks to each cash generating unit and are estimated based on the average percentage of weighted average cost of capital for the industry. The rates are further adjusted to reflect the market assessment of any risk specific to the CGU for which future estimates of cash flows have not been adjusted. Pre-tax discount rates applied to cash flow projections ranged from 12.89% to 13.25% and 13.55% to 13.66% as at December 31, 2015 and 2014, respectively.

Management assessed that no reasonably possible change in pre-tax discount rates and future cash inflows would cause the carrying value of goodwill, trademarks and brand names in 2015 and 2014 to materially exceed its recoverable amount.

Fair value less cost of disposal. The fair values of the assets and liabilities of the CGUs were determined by independent appraisers and in reference to the available market price for quoted instruments. Management assessed that no reasonably possible change in the fair values would cause the carrying value of goodwill in 2015 and 2014 to materially exceed its recoverable amount.

Other Noncurrent Assets
This account consists of:

	2015	2014
	(In Thousands)	
Deposits and advance rentals	**₱10,867,776**	₱7,859,051
Land use rights	**9,563,565**	9,541,287
Receivables from real estate buyers (Note 10)	**7,962,615**	8,341,583
Derivative assets (Notes 29 and 30)	**3,964,807**	2,555,708
Deferred input VAT	**3,287,375**	2,042,045
Long-term note (Notes 22 and 30)	**927,000**	–
Defined benefit asset (Note 26)	**553,543**	561,160
Escrow fund (Note 22)	**132,460**	132,460
Advances for project development	**44,935**	48,270
Others	**1,623,276**	1,486,388
	₱38,927,352	₱32,567,952

- Deposits and advance rentals substantially pertain to the lease agreements entered into by SM Prime for certain parcels of land where some of its malls are constructed. The lease agreements provide that the security deposits will be applied to future rentals. Consequently, the said deposits and advance rentals are not re-measured at amortized cost.

- Included under “Land use rights” account are real estate properties with lot area of 89,378 and 212,119 square meters and with carrying values of ₱361.0 million and ₱488.0 million as at December 31, 2015 and 2014, respectively. These properties were appraised in August 2007 to have a fair value of ₱12,830.0 million and P13,531.0 million, respectively. These properties are planned for residential development in accordance with the cooperative contracts entered into by SM Prime with Grand China International Limited (Grand China) and Oriental Land Development Limited (Oriental Land) on March 15, 2007. The value of these properties is not part of the consideration amounting to ₱10,827.0 million that was paid by SM Prime to Grand China and Oriental Land. Accordingly, the assets were recorded at carrying values under “Other noncurrent assets” account and a corresponding liability equivalent to the same amount shown as part of “Tenants’ deposits and others” account in the consolidated balance sheets.

- Long term note pertain to the loan agreement the Parent Company entered into with Atlas on June 9, 2015, amounting to ₱927.0 million, which bear a fixed interest rate of 4.0%, payable semi-annually in arrears. The loan will mature on June 9, 2018. The loan contains multiple embedded derivatives such as conversion, call and put options (see Note 30). Interest earned from this note is disclosed in Note 25.

- Escrow fund pertains mainly to funds deposited by the Parent Company in the account of an escrow agent as required by the SEC in connection with the corporate restructuring in 2013. Escrow fund in 2015 and 2014 also include deposits made by SMDC for payments of liability arising from acquisition of land (see Note 11).

18. **Bank Loans**

This account consists of:

	2015	2014
	(In Thousands)	
Parent Company -		
U.S. dollar-denominated loans	**₱–**	₱1,341,600
Subsidiaries -		
Peso-denominated loans	**9,923,215**	12,551,041
	₱9,923,215	₱13,892,641

The unsecured U.S. dollar-denominated loans amounting to nil and US$30.0 million with peso equivalent of nil and ₱1,341.6 million as at December 31, 2015 and 2014, respectively, bear fixed interest rates ranging from 1.08% to 1.79%.

The peso-denominated loans bear annual interest rates ranging from 2.00% to 4.15% and 2.00% to 4.40% in 2015 and 2014, respectively. A portion of the bank loans is secured by temporary investments as disclosed in Note 7.

These loans have maturities of less than one year (see Note 29).

Interest on bank loans is disclosed in Note 25.

19. Accounts Payable and Other Current Liabilities

This account consists of:

	2015	2014
	(In Thousands)	
Trade	**₱43,599,678**	₱40,797,521
Accrued expenses	**12,149,516**	8,373,934
Nontrade	**3,674,874**	6,158,423
Payable to government agencies	**3,544,674**	3,584,158
Payable arising from acquisition of land	**3,188,749**	3,603,261
Due to related parties (Note 22)	**2,444,429**	1,601,703
Accrued interest (Note 22)	**1,870,031**	1,606,536
Derivative liabilities (Notes 29 and 30)	**–**	1,092,382
Gift checks redeemable and others	**2,651,475**	3,043,147
	₱73,123,426	₱69,861,065

The terms and conditions of the above liabilities follow:

- Trade payables primarily consist of liabilities to suppliers and contractors, which are noninterest-bearing and are normally settled on 30-to 60-day terms.
- Accrued expenses pertain to accrual for selling, general and administrative expenses which are normally settled within the next financial year.
- Nontrade payables, accrued interest and others are expected to be settled within the next financial year.
- Payable to government agencies mainly consists of output tax which is normally settled within the next financial year.
- Payable arising from acquisition of land is expected to be settled within the next financial year.
- The terms and conditions relating to due to related parties is discussed in Note 22.
- Gift checks are redeemable at face value.

20. Long-term Debt

This account consists of:

	Availment	Maturity	Interest rate/Term	Security	2015	2014
					(In Thousands)	
Parent Company						
U.S. dollar-denominated:						
Fixed rate bonds						
US$350.0 million senior bonds	June 10, 2014	June 10, 2024	Fixed 4.88%; semi-annual	Unsecured	**₱16,471,000**	₱15,652,000
US$500.0 million senior bonds	October 17, 2012	October 17, 2019	Fixed 4.25%; semi-annual	Unsecured	**23,530,000**	22,360,000
US$400.0 million exchanged bonds	October 13, 2010	October 13, 2017	Fixed 5.50%; semi-annual	Unsecured	**18,277,891**	17,258,109
Convertible bonds						
US$250.0 million convertible bonds	February 15, 2012	February 15, 2017	Fixed 1.625%; semi-annual	Unsecured	**–**	3,695,290
US$300.0 million five-year term loans	June 19, 2013; July 2, 2013	May 15, 2018	Floating six-month LIBOR + margin; semi-annual	Unsecured	**14,118,000**	13,416,000
Peso-denominated:						
Seven-year and ten-year retail bonds						
Series C Bonds	July 16, 2012	July 16, 2019	Fixed 6.00%; semi-annual	Unsecured	**4,648,460**	4,648,460
Series D Bonds	July 16, 2012	July 16, 2022	Fixed 6.94%; semi-annual	Unsecured	**7,683,810**	7,683,810
Series E Bonds	May 19, 2014	May 19, 2021	Fixed 5.30%; semi-annual	Unsecured	**11,669,620**	11,669,620
Series F Bonds	May 19, 2014	May 19, 2024	Fixed 5.61%; semi-annual	Unsecured	**3,330,380**	3,330,380
Five-year and seven-year retail bonds						
Series B Bonds	June 25, 2009	June 25, 2016	Fixed 9.10%; semi-annual	Unsecured	**1,000,000**	1,000,000
Other peso bank loans	April 23, 2013 - June 30, 2014	January 14, 2019 - June 23, 2024	Fixed 4.39%-5.4% and PDST-R2 + margin: semi-annual and quarterly	Unsecured	**19,000,300**	20,195,650
Subsidiaries						
U.S. dollar-denominated:						
Five-year term loans	May 6, 2011 - April 23, 2014	March 21, 2016 - April 14, 2019	LIBOR + spread; semi-annual	Unsecured	**50,354,200**	43,825,600
Two-year, three-year and five-year bilateral loans	November 30, 2010 - December 7, 2012	November 30, 2015 - August 30, 2017	LIBOR + spread; semi-annual	Unsecured	**2,353,000**	4,472,000
Other U.S. dollar loans	November 20, 2013	September 17, 2018	LIBOR + spread; semi-annual	Unsecured	**1,176,500**	1,118,000

(Forward)

	Availment	Maturity	Interest rate/Term	Security	2015	2014
					(In Thousands)	
China Yuan Renminbi-denominated:						
Five-year loan	July 28, 2015	December 31, 2019	CBC rate less 10%; quarterly	Secured	**₱32,249**	₱–
Peso-denominated:						
Five-year, seven-year and ten-year retail bonds	September 1, 2014 - November 25, 2015	March 1, 2020 - November 25, 2025	Fixed 4.51%-5.74%; quarterly	Unsecured	**38,324,206**	18,273,240
Fixed rate term loans	December 27, 2012 - December 28, 2015	December 23, 2015 - June 25, 2023	Fixed 3.22%-5.94%; semi-annual and quarterly	Unsecured	**21,443,500**	22,823,000
	July 12, 2014 - July 31, 2014	July 12, 2021 - July 31, 2021	Fixed 5.25%-5.27%; quarterly	Secured	**2,893,044**	3,000,000
Five-year and ten-year notes	June 19, 2012	June 20, 2017 - June 19, 2022	Fixed 5.91%-6.74%; PDST-R2 + margin; quarterly	Unsecured	**7,226,500**	7,301,000
Five-year, seven-year and ten-year notes	January 12, 2012	January 13, 2017 - January 12, 2022	Fixed 5.86%-6.10%; PDST-R2 + margin; quarterly	Unsecured	**4,229,200**	4,272,800
Five-year, seven-year and ten-year corporate notes	December 20, 2010 - December 21, 2015	December 21, 2015 - December 21, 2022	Fixed 5.50%-6.65%; PDST-R2 + margin; quarterly	Unsecured	**6,520,000**	6,528,000
Four-year and five-year floating rate notes	March 18, 2011 - December 1, 2015	March 19, 2016 - December 31, 2020	PDST-R2 + margin; quarterly	Unsecured	**8,000,000**	6,150,000
Corporate notes	June 3, 2013 - June 28, 2014	June 3, 2020 - June 3, 2023	Fixed 5.25%-5.88%; semi-annual	Unsecured	**8,683,100**	8,691,800
Five-year bilateral loans	February 2, 2010 - October 24, 2011	February 2, 2015 - October 24, 2016	Fixed 5.00%; PDST-R2 + margin; quarterly	Unsecured	**500,000**	538,800
Other bank loans	August 15, 2006 - June 8, 2015	June 24, 2015 - June 8, 2020	Fixed 5.00%-9.75%; PDST-R2 + margin; semi-annual and quarterly	Unsecured	**1,525,000**	1,985,280
					272,989,960	249,888,839
Less debt issue cost					**1,827,891**	2,106,176
					271,162,069	247,782,663
Less current portion					**25,994,800**	10,669,108
					₱245,167,269	₱237,113,555

Parent Company

Fixed Rate Bonds

US$400.0 million Exchanged Bonds
This issuance is comprised of US$186.3 million, additional bonds, US$82.9 million, and US$130.8 million exchanged bonds from the existing US$350.0 million 6.75% bonds due 2013 and US$500.0 million 6.00% bonds due 2014, respectively. The exchange was not accounted for as an extinguishment but merely a modification of terms because the terms of the exchanged bonds are not substantially different from the existing bonds (i.e., the difference between the present value of the cash flows of the exchanged bonds and the present value of the remaining cash flows of the existing bonds discounted using the original effective interest rate did not exceed 10%). The carrying amount of the bonds amounted to ₱18,277.9 million and ₱17,258.1 million as at December 31, 2015 and 2014, respectively.

Convertible Bonds

US$250.0 million Convertible Bonds
The convertible bonds have a yield-to-maturity of 2.875% at inception and are due on its maturity at 106.67%. The bonds contain multiple embedded derivatives which were bifurcated at inception (see Note 30).

- Conversion option - Unless previously redeemed, converted or purchased and cancelled, the holder has the right to convert its outstanding bonds for the Parent Company's common shares at any time, on or after June 15, 2012 until the close of business on February 5, 2017, at an initial conversion price of ₱781.45 per share translated into U.S. dollars at a fixed conversion rate of ₱42.711 to US$1.00. Effective July 8, 2013, the new conversion price is ₱624.625 after giving effect to the 25% stock dividends declared on April 25, 2013. If a bondholder exercises his conversion option, the Parent Company can choose either to settle the bonds in cash or issue common shares. At various dates in 2015 and 2014, the bondholders of US$98.2 million (₱3,695.3 million) and US$1.0 million (₱37.6 million) opted to convert their holdings into 6,714,759 and 68,378 of SMIC's shares, respectively (see Note 21).

  As of April 9, 2015, the remaining US$98.2 million was fully converted in SMIC shares.

- Put option - entitles the bondholders to require the Parent Company to redeem all or some of its bonds on February 15, 2015 (put date) at 103.89%.

- Call option - gives to the Parent Company the right to redeem the Bonds, in whole but not in part at their early redemption amount on the date fixed for redemption, provided, however, that no such redemption may be made unless the closing price of the shares of the Parent Company (translated into U.S. dollars at the prevailing rate) for each of the 30 consecutive trading days, the last of which occurs no more than five days prior to redemption notice, was at least 130% of the applicable early redemption amount divided by the conversion ratio.

US$300.0 million Five-year U.S. Dollar Term Loans
Portion of the loan amounting to US$180.0 million is hedged against interest rate and foreign exchange risks using cross-currency swap contracts (see Notes 29 and 30).

Seven-year and Ten-year Retail Bonds

Series C Bonds
At various dates in 2014, the Parent Company redeemed ₱375.0 million of the ₱5,023.5 million bonds.

Series D Bonds
At various dates in 2014, the Parent Company redeemed ₱375.0 million of the ₱8,058.8 million bonds.

Other Peso Bank Loans

- On April 14, 2015, the Company prepaid ₱290.0 million of the ₱3,000.0 million five-year term loan. The outstanding balance as at December 31, 2015 and 2014 amounted to ₱2,710.0 million and ₱3,000.0 million, respectively.

- In June 2014, the Company obtained two seven-year term loans amounting to ₱1,600.0 million and ₱1,650.0 million. The annual principal repayment of ₱1.0 million commenced on the 12th month from issue date, with the last installment payment to be made at maturity date.

  On March 6, 2015, the Company prepaid ₱900.0 million of the ₱1,650.0 million seven-year term loan. The outstanding balance as at December 31, 2015 and 2014 amounted to ₱2,349.0 million and ₱3,250.0 million, respectively.

- In August 2013, the Company obtained a seven-year term loan amounting to ₱2,000.0 million. The annual principal repayment of ₱2.0 million commenced on the 12th month from issue date, with the last installment payment to be made at maturity date. The outstanding balance as at December 31, 2015 and 2014 amounted to ₱1,996.0 million and ₱1,998.0 million, respectively.

- In April 2013, the Company obtained seven-year and ten-year term loans amounting to ₱2,250.0 million and ₱100.0 million, respectively. The annual principal repayment of ₱2.25 million and ₱0.10 million, respectively, commenced on the 12th month from issue date, with the last installment payment to be made at maturity date. The outstanding balance as at December 31, 2015 amounted to ₱2,245.5 million and ₱99.8 million, respectively and December 31, 2014 amounted to ₱2,247.8 million and ₱99.9 million, respectively.

Subsidiaries

U.S. Dollar-denominated Five-Year Term Loans

- US$300.0 million syndicated loan obtained on various dates in 2013. The loan bears interest based on the London Inter-Bank Offered Rate (LIBOR) plus spread, with a bullet maturity on March 25, 2018. A portion of the loan amounting to US$150.0 million is hedged against interest rate and foreign exchange risks using cross-currency swap contracts (see Notes 29 and 30).

- US$200.0 million syndicated loan obtained on January 29, 2013. The loan bears interest based on LIBOR plus spread, with a bullet maturity on January 29, 2018. This loan is hedged against interest rate and foreign exchange risks using cross-currency swap contracts (see Notes 29 and 30).

- US$90.0 million loan obtained on January 15, 2015. The loan bears interest based on LIBOR plus spread with a bullet maturity on April 14, 2019.

China Yuan Renminbi-denominated Five-Year Loan

- This represents a ¥5.0 million out of ¥400.0 million loan facility obtained on July 28, 2015 to finance the construction of shopping malls. The loan is payable in quarterly installments until December 2019. The loan has a floating rate with quarterly re-pricing at the prevailing rate dictated by People's Bank of China. The loan bears interest at 5.00% in 2015 and is secured by a portion of investment properties in China.

Philippine Peso-denominated Five-Year and Ten-Year Retail Bonds

- ₱20.0 billion fixed rate bonds issued on November 25, 2015. The issue consists of the five-year and three months Series D Bonds amounting to ₱17,969.0 million with a fixed interest rate of 4.5095% due on February 25, 2021 and ten-year Series E Bonds amounting to ₱2,031.0 million with a fixed interest rate of 4.7990% due on November 25, 2025.

Philippine Peso-denominated Five-Year, Seven-Year and Ten-Year Retail Bonds

- ₱20.0 billion fixed rate bonds issued on September 1, 2014. The issue consists of five-year and six months Series A Bonds amounting to ₱15,036.0 million with a fixed interest rate of 5.10% due on March 1, 2020, seven-year Series B Bonds amounting to ₱2,362.0 million with a fixed interest rate of 5.20% due on September 1, 2021, and ten-year Series C Bonds amounting to ₱2,602.0 million with a fixed interest rate of 5.74% due on September 1, 2024.

Debt Issue Cost
The movements in unamortized debt issue cost follow:

	2015	2014
	(In Thousands)	
Balance at beginning of year	**₱2,106,176**	₱1,801,733
Amortization (Notes 22 and 25)	**(546,246)**	(549,840)
Additions	**316,885**	854,860
Conversions	**(38,464)**	(480)
Prepayments (Notes 22 and 25)	**(10,460)**	(97)
Balance at end of year	**₱1,827,891**	₱2,106,176

Repayment Schedule
The repayment schedule of long-term debt as at December 31, 2015 follows:

	Gross Loan	Debt Issue Cost	Net
		(In Thousands)	
2016	₱26,025,559	(₱30,759)	₱25,994,800
2017	27,393,419	(111,923)	27,281,496
2018	43,724,494	(467,663)	43,256,831
2019	56,043,827	(460,209)	55,583,618
2020	29,415,866	(143,068)	29,272,798
2021	40,906,543	(285,323)	40,621,220
2022	18,927,170	(70,501)	18,856,669

(Forward)

	Gross Loan	Debt Issue Cost	Net
2023	₱4,518,960	(₱22,357)	₱4,496,603
2024	24,003,080	(218,802)	23,784,278
2025	2,031,042	(17,286)	2,013,756
	₱272,989,960	(₱1,827,891)	₱271,162,069

Covenants

The long-term debts of the Group contain certain covenants including adherence to financial ratios. The Parent Company's loan covenants include adherence with financial ratios namely, (1) debt-to-equity ratio not to exceed 80:20, and, (2) current ratio at a minimum of 0.30, and, certain restrictions with respect to material change in ownership or control. As at December 31, 2015 and 2014, the Group is in compliance with the terms of its debt covenants.

21. **Equity**

Capital Stock

a. Common stock

	Number of Shares	
	2015	2014
Authorized - ₱10 par value per share	**1,190,000,000**	1,190,000,000
Issued and subscribed:		
Balance at beginning of year	**796,340,646**	796,272,268
Issuances	**6,714,759**	68,378
Balance at end of year	**803,055,405**	796,340,646

On various dates in 2015 and 2014, additional 6,714,759 common shares and 68,378 common shares, respectively, were issued as a result of conversion of the Parent Company's convertible bonds (see Note 20). The excess of the conversion price over par value totaling ₱4,833.1 million and ₱47.2 million in 2015 and 2014, respectively, are presented under "Additional paid-in capital" account in the consolidated balance sheets.

As at December 31 2015 and 2014, the Parent Company is compliant with the minimum public float as required by the PSE.

Information on the Parent Company's registration of securities under the Securities Regulation Code follows:

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
March 22, 2005		105,000,000	₱250
November 6, 2007		56,000,000	218
June 14, 2007	100,000,000		10
April 25, 2007		25,023,038	10
October 4, 2010 to March 13, 2012			
Conversion of convertible bonds		2,851,582	453
September 24, 2012		9,100,000	700

Date of SEC Approval	Authorized Shares	Number of Shares Issued	Issue/Offer Price
January 23, 2013 to July 5, 2013			
Conversion of convertible bonds		7,651,851	₱781
June 14, 2013	500,000,000		10
June 24, 2013		157,000,000	10
July 12, 2013		657,314	10
July 18, 2013 to November 1, 2013			
Conversion of convertible bonds		738,483	625
August 1, 2013		7,250,000	900
August 27, 2014			
Conversion of convertible bonds		68,378	625
January 15, 2015 to April 9, 2015			
Conversion of convertible bonds		6,714,759	625

The Parent Company declared stock dividends in 2013 and 2007. The total number of shareholders of the Parent Company is 1,243 and 1,237 as at December 31, 2015 and 2014, respectively.

b. Redeemable preferred shares

	Number of shares	
	2015	2014
Authorized - ₱10 par value per share	**10,000,000**	10,000,000

There are no issued and subscribed preferred shares as at December 31, 2015 and 2014.

Additional Paid-in Capital

	2015	2014
	(In Thousands)	
Paid in subscription in excess of par value	**₱57,555,394**	₱57,555,394
Equity reserve from reissuance of common shares of a subsidiary	**14,105,528**	14,105,528
Conversion of convertible bonds	**4,880,275**	47,194
Acquisition of non-controlling interests	**(385,538)**	–
Disposal of Parent common shares held by subsidiaries	**243,966**	243,966
	₱76,399,625	₱71,952,082

On November 27, 2014, SM Prime reissued 1,060 million common shares held in treasury to its non-controlling shareholders for a total consideration of ₱17,645.7 million which resulted to an increase in “Non-controlling interests” of ₱3,540.2 million and an increase in “Additional paid-in capital” of ₱14,105.5 million as at December 31, 2014.

Cost of Parent Common Shares Held by Subsidiaries
Details of the cost of common shares held by subsidiaries follow:

	Shares held by subsidiaries	Average cost	Cost of common shares held by subsidiaries	Selling price per share	Gain on disposal
			(In Millions)		*(In Millions)*
As at December 31, 2011	820,491	₱320.8	₱263.2		
Sale by SM Land and MRDC	(430,000)	320.8	(137.3)	₱753.3	₱184.5
As at December 31, 2012	390,491	322.4	125.9		
Stock dividends (25%)	97,623	–	–		
Sale by SM Land	(389,612)	257.7	(100.5)	952.2	267.7
As at December 31, 2013, 2014 and 2015	98,502	₱257.7	₱25.4		

Equity Adjustments from Common Control Transactions
Equity adjustments from common control transactions mainly pertains to the acquisition of various SM China Companies by SM Prime in 2007 and various service companies by SM Retail in 2009. These acquisitions were considered as business reorganizations of companies under common control. Thus, the acquisitions were accounted for similar to the pooling of interest method.

In 2013, the Group executed a corporate restructuring to consolidate the Group's real estate subsidiaries and real estate assets in SM Prime. At the consolidated level, all transactions with the subsidiaries were considered as equity transactions.

Retained Earnings

a. Appropriated

Following are the appropriations approved by the BOD:

	Date of BOD Approval	Amount
		(In Thousands)
Initial appropriation	November 5, 2003	₱5,000,000
Additional appropriation	December 14, 2012	30,000,000
Reversal of appropriation	April 25, 2013	(8,000,000)
Reversal of appropriation	November 4, 2015	(18,000,000)
Additional appropriation	November 4, 2015	27,000,000

Retained earnings appropriated as at December 31, 2015 is intended for the payment of certain long-term debts and new investments as follows:

	Timeline	Amount
		(In Thousands)
Debt servicing		
US$400.0 million	2017	₱18,800,000
US$180.0 million	2018	8,200,000
New investments	2016–2020	9,000,000
		₱36,000,000

b. Unappropriated

The Parent Company's dividend declarations in 2015 and 2014 follow:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total Cash Dividends
				(In Thousands)
April 29, 2015	**May 14, 2015**	**June 9, 2015**	**₱10.61**	**₱8,520,418**
April 30, 2014	May 30, 2014	June 26, 2014	10.34	8,233,455

The balance of retained earnings includes the accumulated equity in net earnings of subsidiaries, associates and joint ventures amounting to ₱147,055.7 million and ₱137,756.2 million as at December 31, 2015 and 2014, respectively. Such amounts are not available for distribution until such time that the Parent Company receives the dividends from the respective subsidiaries, associates and joint ventures.

22. Related Party Disclosures

Parties are considered to be related if one party has the ability, directly and 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.

The significant transactions with related parties follow:

a. Rent

The Group has existing lease agreements for office and commercial spaces with related companies (retail and banking group and other related parties under common stockholders).

b. Management and Service Fees

The Group pays management fees to Shopping Center Management Corporation and SM Lifestyle Entertainment, Inc. (related parties under common stockholders) for the management of certain office and mall premises.

SMIC and SM Retail also receive management and service fees from retail entities under common stockholders for management, consultancy, manpower and other services.

c. Dividend Income

The Group earns dividend income from certain related parties under common stockholders.

d. Cash Placements and Loans

The Group has certain bank accounts and cash placements as well as bank loans and debts with BDO and China Bank. Such accounts earn interest based on prevailing market interest rates.

e. Others

The Group, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and normally settled in cash.

The related party transactions and outstanding balances as at and for the years ended December 31, 2015, 2014 and 2013 follow:

	Transaction Amount			Outstanding Amount		Terms	Conditions
	2015	2014	2013	**2015**	2014		
			(In Thousands)				
Banking Group							
Cash placement and investment in debt securities	**₱–**	₱–	₱–	**₱106,498,300**	₱117,113,342	Interest-bearing 0.75% to 4.90%	Unsecured; no impairment
Interest receivable	**–**	–	–	**396,819**	436,604	Interest-bearing	Unsecured;
Interest income	**2,407,497**	2,474,837	3,041,039	**–**	–	0.75% to 4.90%	no impairment
Interest bearing debt	**–**	–	–	**8,361,170**	13,298,618	Interest-bearing 1.08% to 10.00%	Unsecured
Interest payable	**–**	–	–	**30,330**	38,903	Interest-bearing	Unsecured
Interest expense	**592,922**	1,211,036	794,208	**–**	–	1.08% to 10.00%	
Rent receivable	**–**	–	–	**181,225**	181,459	Noninterest-bearing	Unsecured;
Rent income	**679,691**	615,757	82,929	**–**	–		no impairment
Management fee receivable	**–**	–	–	**29,405**	31,437	Noninterest-bearing	Unsecured; no impairment
Management fee income	**6,533**	7,412	–	**–**	–		
Service fee receivable	**–**	–	–	**129,418**	81,682	Noninterest-bearing	Unsecured;
Service fee income	**260**	686	–	**–**	–		no impairment
Escrow fund	**–**	–	–	**567,639**	797,778	Interest-bearing 1.3% to 1.4%	Unsecured; no impairment
Retail and Other Entities							
Rent receivable	**–**	–	–	**896,132**	1,708,815	Noninterest-bearing	Unsecured;
Rent income	**3,854,572**	3,959,364	4,451,749	**–**	–		no impairment
Management fee receivable	**–**	–	–	**226,124**	196,378	Noninterest-bearing	Unsecured; no impairment
Management fee income	**361,447**	453,910	309,310	**–**	–		
Management fee payable	**–**	–	–	**117,402**	101,775	Noninterest-bearing	Unsecured
Management fee expense	**1,058,753**	1,111,368	976,415	**–**	–		
Service fee receivable	**–**	–	–	**149,232**	108,515	Noninterest-bearing	Unsecured;
Service fee income	**655,349**	537,008	685,260				no impairment
Dividend receivable	**–**	–	–	**487,427**	871,103	Noninterest-bearing	Unsecured;
Dividend income	**486,897**	510,684	716,384	**–**	–		no impairment
Due from related parties	**–**	–	–	**1,350,612**	1,194,099	Noninterest-bearing	Unsecured; no impairment
Due to related parties	**–**	–	–	**2,444,429**	1,601,703	Noninterest-bearing	Unsecured
Interest receivable	**–**	–	–	**9,467**	4,868	Interest-bearing	Unsecured;
Interest income	**53,882**	15,699	–	**–**	–	4.0% to 6.5%	no impairment
Notes receivable/ Long-term note	**–**	–	–	**1,908,435**	–	Interest-bearing 4.0% to 5.0%	Unsecured; no impairment

Terms and Conditions of Transactions with Related Parties

For the years ended December 31, 2015 and 2014, the Group did not make any provision for impairment loss relating to amounts owed by related parties. There have been no guarantees provided or received for any related party receivables or payables.

Compensation of Key Management Personnel of the Group

The aggregate compensation and benefits related to key management personnel of the Group for the years ended December 31, 2015, 2014 and 2013 consist of short-term employee benefits amounting to ₱1,126.3 million, ₱938.2 million and ₱777.3 million, respectively, and post-employment benefits amounting to ₱144.5 million, ₱109.0 million and ₱88.7 million, respectively.

23. Cost of Merchandise Sales

This account consists of:

	2015	2014	2013
		(In Thousands)	
Merchandise inventories at beginning of year	**₱14,882,200**	₱13,232,308	₱13,402,762
Purchases	**164,404,313**	152,567,479	138,549,914
Total goods available for sale	**179,286,513**	165,799,787	151,952,676
Less merchandise inventories at end of year	**16,262,228**	14,882,200	13,232,308
	₱163,024,285	₱150,917,587	₱138,720,368

24. Selling, General and Administrative Expenses

This account consists of:

	2015	2014	2013
		(In Thousands)	
Personnel cost (Note 22)	**₱13,450,135**	₱12,503,274	₱11,411,522
Depreciation and amortization (Notes 14 and 15)	**11,362,639**	10,907,625	9,513,584
Utilities	**8,867,695**	9,038,332	8,126,266
Rent (Note 28)	**5,799,964**	5,467,674	5,252,339
Taxes and licenses	**5,325,168**	5,036,077	4,531,029
Marketing and selling	**3,367,895**	3,451,654	3,364,195
Outside services	**4,040,577**	3,512,760	3,020,899
Repairs and maintenance	**1,929,521**	1,733,961	1,218,771
Supplies	**1,489,353**	1,342,047	1,073,044
Management fees (Note 22)	**1,324,253**	1,195,192	1,063,859
Transportation and travel	**703,907**	672,422	502,028
Insurance	**661,259**	665,379	552,183
Provision (reversal) of impairment loss and others (Notes 10, 13 and 15)	**478,869**	(288,547)	(1,018,156)
Pension expense (benefit) (Note 26)	**447,738**	376,568	(92,085)
Entertainment, representation and amusement	**357,699**	319,339	246,013
Professional fees	**280,360**	318,031	326,985
Donations	**255,545**	207,103	115,605
Data processing	**242,923**	317,914	206,183
Communications	**210,853**	173,073	165,854
Others	**3,110,727**	3,760,272	1,606,275
	₱63,707,080	₱60,710,150	₱51,186,393

25. Interest Income and Interest Expense

The sources of interest income and interest expense follow:

	2015	2014	2013
		(In Thousands)	
Interest income on:			
Time deposits (Note 8)	**₱2,058,413**	₱2,059,817	₱2,245,719
Cash in banks and temporary investments (Note 7)	**617,454**	484,169	912,152
AFS investments (Notes 9 and 12)	**326,658**	380,399	414,427
Investments held for trading (Note 9)	**17,998**	25,790	28,310
Others (Notes 11 and 17)	**135,277**	82,460	108,876
	₱3,155,800	₱3,032,635	₱3,709,484
Interest expense on:			
Long-term debt (Note 20)	**₱9,231,248**	₱11,069,673	₱6,951,247
Bank loans (Note 18)	**640,910**	641,023	3,960,390
Others (Note 30)	**588,478**	185,169	176,409
	₱10,460,636	₱11,895,865	₱11,088,046

26. Pension Benefits

The Group has funded defined benefit pension plans covering all regular and permanent employees.

<u>Net benefit expense (included under “Selling, general and administrative expenses”)</u>

	2015	2014	2013
		(In Thousands)	
Net benefit expense:			
Current service cost	**₱469,351**	₱405,822	₱350,898
Net interest income	**(21,613)**	(28,952)	(39,409)
Others	**–**	(302)	(403,574)
	₱447,738	₱376,568	(₱92,085)

Changes in the net defined benefit liability and asset

a. Net Defined Benefit Liability

The movements in the subsidiaries' pension plan which resulted in a defined benefit liability as at December 31, 2015, 2014 and 2013 follow:

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not Recognized due to Asset Limit/ Unrecognized Actuarial Loss	Defined Benefit Liability (Asset)
			(In Thousands)	
At December 31, 2013	₱1,395,264	₱1,240,943	₱–	₱154,321
Net benefit expense (Note 24):				
Current service cost	103,343	–	–	103,343
Net interest cost	58,595	55,857	27	2,765
Others	(302)	–	–	(302)
	161,636	55,857	27	105,806
Re-measurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	25,866	–	(25,866)
Actuarial changes arising from:				
Changes in financial assumptions	89,724	–	–	89,724
Changes in demographic assumptions	(19,707)	–	–	(19,707)
Experience adjustment	79,270	–	–	79,270
Others	–	–	(13,772)	(13,772)
	149,287	25,866	(13,772)	109,649
Reclassifications from defined benefit assets	(462,424)	(389,293)	–	(73,131)
Actual contributions	–	114,978	–	(114,978)
Benefits paid	(29,424)	(29,424)	–	–
Transfer from related parties	8,158	8,158	–	–
Other adjustments	17,155	3,320	13,745	27,580
At December 31, 2014	**1,239,652**	**1,030,405**	**–**	**209,247**
Net benefit expense (Note 24):			**–**	
Current service cost	**107,871**	**–**	**–**	**107,871**
Net interest cost	**41,778**	**35,879**	**–**	**5,899**
Actuarial loss	**–**	**–**	**–**	**–**
	149,649	**35,879**	**–**	**113,770**
Re-measurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**(36,087)**	**–**	**36,087**
Actuarial changes arising from:				
Changes in financial assumptions	**(114,876)**	**–**	**–**	**(114,876)**
Changes in demographic assumptions	**(32,083)**	**–**	**–**	**(32,083)**
Experience adjustment	**17,774**	**–**	**–**	**17,774**
Others	**–**	**–**	**(24)**	**(24)**
	(129,185)	**(36,087)**	**(24)**	**(93,122)**
Reclassifications from defined benefit assets	**(322,307)**	**(248,023)**	**–**	**(74,284)**
Actual contributions	**–**	**44,493**	**–**	**(44,493)**
Benefits paid	**(17,620)**	**(17,620)**	**–**	**–**
Transfer from (to) related parties	**(1,458)**	**(665)**	**–**	**(793)**
Other adjustments	**15,546**	**–**	**24**	**15,570**
At December 31, 2015	**₱934,277**	**₱808,382**	**₱–**	**₱125,895**

b. Net Defined Benefit Asset

The movements in the subsidiaries' pension plan which resulted in a defined benefit asset as at December 31, 2014, 2013 and 2012 follow:

	Present value of Defined Benefit Obligation	Fair Value of Plan Assets	Amount not recognized due to asset limit/ Unrecognized actuarial loss	Defined Benefit Liability (Asset)
		(In Thousands)		
At December 31, 2013	₱2,640,893	₱3,343,406	₱86,531	(₱615,982)
Net benefit expense (Note 24):				
Current service cost	302,479	–	–	302,479
Net interest income	195,115	232,299	5,467	(31,717)
	497,594	232,299	5,467	270,762
Re-measurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	–	124,890	–	(124,890)
Actuarial changes arising from:				
Changes in financial assumptions	(130,985)	–	–	(130,985)
Changes in demographic assumptions	214	–	–	214
Experience adjustment	54,138	–	–	54,138
Others	–		(38,009)	(38,009)
	(76,633)	124,890	(38,009)	(239,532)
Reclassifications to defined benefit assets	462,426	389,294	–	73,132
Actual contributions	–	48,199	–	(48,199)
Benefits paid	(123,046)	(123,046)	–	–
Transfer to the plan	(6,455)	(6,455)	–	–
Amount not recognized due to asset limit	–	–	52,647	52,647
Other adjustments	(1,749)	(1,749)	(53,988)	(53,988)
At December 31, 2014	**3,393,030**	**4,006,838**	**52,648**	**(561,160)**
Net benefit expense (Note 24):				
Current service cost	**361,480**	**–**	**–**	**361,480**
Net interest income	**171,787**	**199,574**	**275**	**(27,512)**
	533,267	**199,574**	**275**	**333,968**
Re-measurements in other comprehensive income:				
Return on plan assets (excluding amount included in net interest)	**–**	**(199,283)**	**–**	**199,283**
Actuarial changes arising from:				
Changes in financial assumptions	**(296,263)**	**–**	**–**	**(296,263)**
Changes in demographic assumptions	**(6,143)**	**–**	**–**	**(6,143)**
Experience adjustment	**(102,260)**	**–**	**–**	**(102,260)**
Others	**–**	**–**	**(31,940)**	**(31,940)**
	(404,666)	**(199,283)**	**(31,940)**	**(237,323)**
Reclassifications from defined benefit liabilities	**322,307**	**248,023**	**–**	**74,284**
Actual contributions	**–**	**152,304**	**–**	**(152,304)**
Benefits paid	**(141,716)**	**(141,716)**	**–**	**–**
Transfer to the plan	**5,985**	**5,985**	**–**	**–**
Amount not recognized due to asset limit	**–**	**–**	**5,470**	**5,470**
Other adjustments	**–**	**(4,656)**	**(21,134)**	**(16,478)**
At December 31, 2015	**₱3,708,207**	**₱4,267,069**	**₱5,319**	**(₱553,543)**

The principal assumptions used in determining the pension obligations of the Group follow:

	2015	2014
Discount rate	**4%–6%**	4%–6%
Future salary increases	**3%–10%**	3%–10%

The assets of the Pension Plan are held by a trustee bank, BDO, a related party. The investing decisions of the Plan are made by the Board of Trustees of the Pension Plan. The carrying amounts, which approximate the estimated fair values of the Plan assets follow:

	2015	2014
	(In Thousands)	
Cash and cash equivalents	**₱629,915**	₱251,447
Investment in debt and other securities	**1,009,678**	948,725
Investment in common trust funds	**1,652,236**	1,968,692
Investment in equity securities	**189,968**	181,087
Investment in government securities	**1,558,279**	1,651,825
Others	**35,375**	35,467
	₱5,075,451	₱5,037,243

- Cash and cash equivalents include regular savings and time deposits;
- Investments in debt and other securities, consisting of both short-term and long-term corporate loans, notes and bonds, bear interest ranging from 4.38% to 6.80% have maturities from June 2019 to April 2025 in 2015 and 2014;
- Investment in common trust funds consists of unit investment trust fund placements;
- Investment in equity securities consists of listed and unlisted equity securities;
- Investments in government securities consist of retail treasury bonds that bear interest ranging from 2.13% to 8.75% and 3.50% to 10.69% have maturities from January 2016 to November 2032 and February 2015 to October 2037 in 2015 and 2014, respectively; and
- Others pertain to accrued interest income on cash deposits and debt securities held by the Plan.

The outstanding balances and transactions of the Pension Plan with the trustee bank, as at and for the years ended December 31, 2015 and 2014, follow:

	2015	2014
	(In Thousands)	
Balances:		
Cash and cash equivalents	**₱316,280**	₱160,743
Investment in common trust funds	**1,652,236**	1,968,692
Transactions:		
Interest income from cash and cash equivalents	**2,130**	2,209
Gains from investment in common trust funds	**1,251,183**	1,341,211

The Group expects to contribute about ₱193.3 million to its Pension Plan in 2016.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015, assuming all other assumptions were held constant:

	Increase (Decrease) in Basis Points	Increase (Decrease) in Defined Benefit Obligation
		(In Thousands)
Discount rates	50	(₱372,326)
	(50)	378,862
Future salary increases	100	696,675
	(100)	(676,500)
No attrition of rates	–	3,828,513

The average duration of the Group's defined benefit obligation is 6 to 32 years and 7 to 32 years as at December 31, 2015 and 2014, respectively.

The maturity analysis of the undiscounted benefit payments follows:

	2015	2014
	(In Thousands)	
Less than 1 year to 5 years	**₱988,076**	₱1,026,703
More than 5 years to 10 years	**2,040,795**	1,860,607
More than 10 years to 15 years	**3,771,582**	3,327,144
More than 15 years to 20 years	**9,035,566**	8,085,777
More than 20 years	**169,082,301**	174,975,720

The Group has no specific matching strategies between the Plan assets and the defined benefit obligation.

27. **Income Tax**

The details of the Group's deferred tax assets and liabilities follow:

	2015	2014
	(In Thousands)	
Deferred tax assets:		
Excess of fair values over cost of investment properties	**₱1,166,570**	₱1,186,890
Accrued leases	**477,025**	304,286
NOLCO	**461,561**	324,460
Deferred rent expense	**228,443**	192,274
Provision for doubtful accounts and others	**149,571**	110,027
Unamortized past service cost and defined benefit liability	**65,985**	149,160
MCIT	**20,645**	26,847
	₱2,569,800	₱2,293,944

	2015	2014
	(In Thousands)	
Deferred tax liabilities:		
Appraisal increment on investment property	**₱2,399,330**	₱2,417,479
Trademarks and brand names	**1,879,000**	1,879,000
Capitalized interest	**1,396,868**	1,217,246
Unrealized gross profit on sale of real estate	**1,217,472**	877,069
Accrued/deferred rent income	**180,726**	165,333
Unamortized past service cost and defined benefit asset	**147,506**	147,970
Others	**213,875**	163,828
	₱7,434,777	₱6,867,925

The components of deductible temporary differences of certain balance sheet items and the carryforward benefits of unused MCIT and NOLCO, which pertain to the Parent Company, for which no deferred tax assets have been recognized in the consolidated balance sheets, follow:

	2015	2014
	(In Thousands)	
NOLCO	**₱6,723,420**	₱3,506,043
Net unrealized foreign exchange loss	**708,939**	798,763
Allowance for impairment losses	**506,593**	288,975
MCIT	**151,029**	78,596
Past service cost	**131,883**	89,424
Non-refundable advance rentals	**32,864**	25,886
Defined benefit liability	–	68,669
	₱8,254,728	₱4,856,356

NOLCO and MCIT amounting to ₱106.5 million and ₱86.4 million were applied in 2015 and 2014, respectively.

The reconciliation between the statutory tax rates and the Group's effective tax rates on income before income tax follow:

	2015	2014	2013
Statutory income tax rate	**30%**	30%	30%
Deduct income tax effects of reconciling items:			
Equity in net earnings of associate companies and joint ventures	**(9)**	(9)	(9)
Interest income subjected to final tax	**(2)**	(2)	(3)
Change in unrecognized deferred tax assets	**1**	(2)	(3)
Dividend income exempt from tax	–	–	(1)
Others	**(1)**	(1)	(2)
Effective income tax rates	**19%**	16%	12%

28. **Lease Agreements**

The Group's lease agreements with its tenants are generally granted for a term of one to twenty-five years. Tenants likewise pay a fixed monthly rent which is calculated by reference to a fixed sum per square meter of area leased except for a few tenants which pay either a fixed monthly rent or a percentage of gross sales, whichever is higher.

Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits (see Notes 29 and 30).

The future minimum lease receivables under the non-cancellable operating leases of the Group as at December 31 follow:

	2015	2014
	(In Millions)	
Within one year	**₱3,812**	₱3,385
After one year but not more than five years	**8,551**	8,616
More than five years	**5,008**	1,939
	₱17,371	₱13,940

The Group also leases certain parcels of land where some of its malls are situated. The terms of the lease are for periods ranging from fifteen to fifty years, renewable for the same period under the same terms and conditions. Rental payments are generally computed based on a certain percentage of the gross rental income or a certain fixed amount, whichever is higher.

The future minimum lease payables under the non-cancellable operating leases of the Group as at December 31 follow:

	2015	2014
	(In Millions)	
Within one year	**₱717**	₱744
After one year but not more than five years	**3,190**	3,138
More than five years	**25,737**	25,867
	₱29,644	₱29,749

Tenants' deposits amounted to ₱14,014.7 million and ₱14,032.0 million as at December 31, 2015 and 2014, respectively.

29. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivatives, consists of bank loans, long-term debt, AFS investments, investments held for trading, time deposits, cash and cash equivalents, non-trade receivables, advances and deposits, receivable from banks and credit card, accrued interest receivable, and advances for project development. The main purpose of these financial instruments is to finance the Group's operations. The Group has other financial assets and liabilities such as receivables and accounts payable and other current liabilities, which arise directly from its operations.

The Group also enters into derivative transactions, principally, cross-currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The purpose is to manage the interest rate and foreign currency risks arising from the Group's operations and its sources of finance.

The main risks arising from the Group's financial instruments are as follows:

- *Interest rate risk.* Fixed rate financial instruments are subject to fair value interest rate risk while floating rate financial instruments are subject to cash flow interest rate risk. Repricing of floating rate financial instruments is mostly done at intervals of three months or six months.

- *Foreign currency risk.* The Group's exposure to foreign currency risk arises as the Parent Company and SM Prime have significant investments and debt issuances which are denominated in U.S. dollars and China Yuan Renminbi.

- *Liquidity risk.* Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments.

- *Credit risk.* Refers to the risk that a borrower will default on any type of debt by failing to make required payments.

- *Equity price risk.* The Group's exposure to equity price risk pertains to its investments in quoted equity shares which are classified as AFS investments in the consolidated balance sheets. Equity price risk arises from the changes in the levels of equity indices and the value of individual stocks traded in the stock exchange.

The BOD reviews and approves policies for managing each of these risks. The Group's accounting policies in relation to derivatives are set out in Note 3.

<u>Interest Rate Risk</u>
The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations (see Note 20).

The Group maintains a conservative financing strategy and has preference for longer tenor credit with fixed interest rate that matches the nature of its investments. To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps and cross-currency swaps in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed notional amount. The interest rate swaps economically hedge the underlying debt obligations. The cross-currency swaps were designated by the Group under cash flow hedge accounting (see Note 30).

As at December 31, 2015 and 2014, after taking into account the effect of the swaps, approximately 74% and 68% of the Group's borrowings are kept at fixed interest rates.

Interest Rate Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax and equity after income tax, through the impact of floating rate financial liabilities and debt securities classified as FVPL and AFS investments, respectively.

	Increase (Decrease) in Basis Points	Effect on Income Before Tax	Effect on Equity After Income Tax
		(In Millions)	
2015	**100**	**(₱612.1)**	**(₱161.7)**
	50	**(306.1)**	**(81.2)**
	(100)	**612.1**	**169.3**
	(50)	**306.1**	**84.3**
2014	100	(₱727.2)	(₱220.4)
	50	(363.1)	(117.6)
	(100)	727.2	204.5
	(50)	363.1	94.8

Fixed rate debts, although subject to fair value interest rate risk, are not included in the sensitivity analysis as these are carried at amortized costs. The assumed movement in basis points for interest rate sensitivity analysis is based on currently observable market environment.

Foreign Currency Risk

The Group aims to reduce foreign currency risks by employing on-balance sheet hedges and derivatives such as foreign currency swap contracts, foreign cross-currency swaps, foreign currency call options, non-deliverable forwards and foreign currency range options.

The Group's foreign currency-denominated financial assets and liabilities and their peso equivalents follow:

	2015			2014		
	US$	**RMB**	**PhP**	**US$**	**RMB**	**PhP**
			(In Thousands)			
Current assets:						
Cash and cash equivalents	**$3,364**	**¥**	**₱158,297**	$8,913	¥	₱398,607
Time deposits	**204,000**	**–**	**9,600,240**	201,000	–	8,988,720
Receivables	**9,099**	**4,960,777**	**36,379,086**	9,498	4,414,798	32,240,051
AFS investments	**3,810**	**–**	**179,282**	22,065	–	986,742
Noncurrent assets:		**–**				
AFS investments	**104,874**	**–**	**4,935,357**	109,110	–	4,879,403
Time deposits	**1,038,628**	**–**	**48,877,817**	1,031,407	–	46,124,510
Derivative assets	**19,582**	**–**	**921,544**	19,582	–	875,721
Total foreign currency-denominated financial assets	**1,383,357**	**4,960,777**	**101,051,623**	1,401,575	4,414,798	94,493,754
Current liabilities:						
Bank loans	**–**	**–**	**–**	30,000	–	1,341,600
Current portion of long-term debt	**270,000**	**1,110**	**12,714,244**	50,000	–	2,236,000
Accounts payable and other current liabilities	**9,951**	**–**	**468,280**	35,097	–	1,569,553
Noncurrent liabilities:						
Long-term debt - net of current portion	**1,880,502**	**3,340**	**88,520,607**	2,135,949	–	95,519,632
Derivative liabilities	**–**	**–**	**–**	1,313	–	58,705
Total foreign currency-denominated financial liabilities	**2,160,453**	**4,450**	**101,703,131**	2,252,359	–	100,725,490
Net foreign currency-denominated financial assets (liabilities)	**($777,096)**	**¥4,956,327**	**(₱651,508)**	($850,784)	¥4,414,798	(₱6,231,736)

As at December 31, 2015 and 2014, approximately 44.6% and 46.7% respectively, of the Group's total consolidated bank loans and long-term debt were denominated in U.S. dollars. Thus, appreciation of the Philippine peso against the U.S. dollar will decrease both the principal amount of the foreign currency-denominated debt and interest expense on the Group's debt in Philippine peso terms.

The Group has recognized in its consolidated statements of income, net foreign exchange gain of ₱240.8 million, ₱179.1 million and ₱59.4 million on its net foreign currency-denominated assets and liabilities for the years ended December 31, 2015, 2014 and 2013, respectively. This resulted from the movements of the closing rates of U.S. dollar against the Philippine peso and China Yuan Renminbi as shown in the table below:

	2015	2014
China Yuan Renminbi to U.S. dollar	RMB6.4937	RMB6.2055
Philippine Peso to U.S. dollar	₱47.06	₱44.72

Foreign Currency Risk Sensitivity Analysis. The following table demonstrates the sensitivity to a reasonably possible change in exchange rate of U.S. Dollar to Philippine Peso and U.S. Dollar to China Yuan Renminbi of financial assets and liabilities, with all other variables held constant:

	US$-denominated		RMB-denominated	
	Appreciation (Depreciation) of ₱	Effect on Income Before Tax	Appreciation (Depreciation) of $	Effect on Income Before Tax
		(In Millions)		*(In Millions)*
2015	**1.50**	**(₱1,165.6)**	**1.50**	**($1,144.9)**
	1.00	**(777.1)**	**1.00**	**(763.3)**
	(1.50)	**1,165.6**	**(1.50)**	**1,144.9**
	(1.00)	**777.1**	**(1.00)**	**763.3**
2014	1.50	(₱1,276.2)	**1.50**	($1,067.1)
	1.00	(850.8)	**1.00**	(711.4)
	(1.50)	1,276.2	**(1.50)**	1,067.1
	(1.00)	850.8	**(1.00)**	711.4

Liquidity Risk

The Group seeks to manage its liquidity profile to be able to finance capital expenditures and service maturing debts. To cover its financing requirements, the Group intends to use internally generated funds and proceeds from debt and equity issues and sales of certain assets. The Group also has readily available credit facilities with banks and related parties to meet its long-term financial liabilities.

As part of its liquidity risk management program, the Group regularly evaluates its projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives. These initiatives may include bank loans, export credit agency-guaranteed facilities, debt capital and equity market issues.

The Group's financial assets, which have maturities of less than 12 months, and used to meet its short-term liquidity needs, include the following:

	2015	2014
	(In Thousands)	
Cash and cash equivalents	**₱53,910,071**	₱69,133,381
Current portion of time deposits	**9,611,405**	9,000,324
Investments held for trading - bonds	**279,359**	307,835
Current portion of AFS investments -		
Bonds and corporate notes	**179,282**	986,742

The maturity profile of the Group's financial liabilities follow:

	2015				
	On Demand	**Less than 1 Year**	**2 to 5 Years**	**More than 5 Years**	**Total**
			(In Thousands)		
Bank loans	**₱–**	**₱9,923,215**	**₱–**	**₱–**	**₱9,923,215**
Accounts payable and other current liabilities *	**–**	**69,578,752**	**–**	**–**	**69,578,752**
Long-term debt (including current portion) **	**–**	**33,073,695**	**205,142,322**	**88,156,618**	**326,372,635**
Dividends payable	**–**	**346,281**	**–**	**–**	**346,281**
Tenants' deposits **	**–**	**49,722**	**13,710,751**	**268,170**	**14,028,643**
Other noncurrent liabilities ***	**–**	**–**	**3,420,984**	**–**	**3,420,984**
	₱–	**₱112,971,665**	**₱222,274,057**	**₱88,424,788**	**₱423,670,510**

	2014				
	On Demand	Less than 1 Year	2 to 5 Years	More than 5 Years	Total
			(In Thousands)		
Bank loans	₱–	₱13,892,641	₱–	₱–	₱13,892,641
Accounts payable and other current liabilities *	–	65,184,525	–	–	65,184,525
Long-term debt (including current portion) **	–	15,266,474	168,584,633	120,127,455	303,978,562
Derivative liabilities: **					
Interest rate swaps	–	–	58,705	–	58,705
Multiple derivatives on convertible bonds	–	1,092,382	–	–	1,092,382
Dividends payable	–	264,882	–	–	264,882
Tenants' deposits **	–	–	13,815,542	247,840	14,063,382
Other noncurrent liabilities ***	–	–	3,208,432	–	3,208,432
	₱–	₱95,700,904	₱185,667,312	₱120,375,295	₱401,743,511

** Excluding payable to government agencies of ₱3,544.7 million and ₱3,584.2 million at December 31, 2015 and 2014, respectively, which are not considered as financial liabilities.*
*** Based on estimated future cash flows.*
****Excluding nonfinancial liabilities amounting to ₱1,412.0 million and ₱573.0 million at December 31, 2015 and 2014, respectively.*

<u>Credit Risk</u>
The Group trades only with recognized and creditworthy related and third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on a regular basis which aims to reduce the Group's exposure to bad debts at a minimum level. Given the Group's diverse base of customers, it is not exposed to large concentrations of credit risk.

With respect to credit risk arising from the other financial assets of the Group which consist of cash and cash equivalents, time deposits, investments held for trading, AFS investments and certain derivative instruments, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments, without considering the effects of collateral. Since the Group trades only with recognized related and third parties, there is no requirement for collateral.

Receivable from sale of real estate has minimal credit risk and is effectively collateralized by the respective units sold since title to the real estate properties are not transferred to the buyers until full payment is made.

As at December 31, 2015 and 2014, the financial assets, except for certain receivables and AFS investments, are generally viewed by management as good and collectible considering the credit history of the counterparties. Past due or impaired financial assets are very minimal in relation to the Group's total financial assets.

Credit Quality of Financial Assets

The credit quality of financial assets is managed by the Group using high quality and standard quality as internal credit ratings.

High Quality. This pertains to a counterparty who is not expected to default in settling its obligations, thus credit risk exposure is minimal. This normally includes large prime financial institutions, companies and government agencies.

Standard Quality. Other financial assets not belonging to high quality financial assets are included in this category.

The credit analysis of the Group's financial assets follows:

	2015			2014		
	High Quality	**Standard Quality**	**Total**	High Quality	Standard Quality	Total
			(In Thousands)			
Cash and cash equivalents (excluding cash on hand)	**₱52,769,650**	**₱–**	**₱52,769,650**	₱67,964,569	₱–	₱67,964,569
Time deposits including noncurrent portion	**62,739,174**	**–**	**62,739,174**	56,579,714	–	56,579,714
Investments held for trading - Bonds	**279,359**	**–**	**279,359**	307,835	–	307,835
AFS investments	**21,993,333**	**3,918**	**21,997,251**	23,083,740	3,918	23,087,658
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**29,341,750**	**7,041,939**	**36,383,689**	29,227,148	6,323,604	35,550,752
Advances and other receivables - net (includes non-trade receivables, advances and deposits, receivable from banks and credit card, notes receivable, accrued interest receivable, and advances for project development under "Other current assets" account in the consolidated balance sheet)	**11,523,861**	**–**	**11,523,861**	17,531,340	–	17,531,340
Escrow fund (including noncurrent portion)	**570,099**	**–**	**570,099**	800,238	–	800,238
Long-term note (included under "Other noncurrent assets" account in the consolidated balance sheet)	**927,000**	**–**	**927,000**	–	–	–
Derivative assets (included under "Other noncurrent assets" account in the consolidated balance sheet)	**3,964,807**	**–**	**3,964,807**	2,555,708	–	2,555,708
	₱184,109,033	**₱7,045,857**	**₱191,154,890**	₱198,050,292	₱6,327,522	₱204,377,814

Equity Price Risk
Management monitors the equity securities in its investment portfolio based on market expectations. Material equity investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by management.

The effect on equity after income tax of a possible change in equity indices with all other variables held constant is as follows:

	Change in Equity Price	Effect on Equity After Income Tax
		(In Millions)
2015	**+9.0%**	**₱2,268.7**
	-9.0%	**(2,268.7)**
2014	+9.0%	3,055.5
	-9.0%	(3,055.5)

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in 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 monitors its capital gearing by measuring the following ratios and maintaining them at not lower than 50:50.

- Net interest-bearing debt divided by total capital plus net interest-bearing debt
- Interest-bearing debt divided by total capital plus interest-bearing debt.

Net Interest-bearing Debt to Total Capital plus Net Interest-bearing Debt

	2015	2014
	(In Thousands)	
Bank loans	**₱9,923,215**	₱13,892,641
Long-term debt (current and noncurrent)	**271,162,069**	247,782,663
Less:		
Cash and cash equivalents (excluding cash on hand)	**(52,769,650)**	(67,964,569)
Time deposits (current and noncurrent)	**(62,739,174)**	(56,579,714)
AFS investments (bonds and corporate notes)	**(4,866,562)**	(5,626,784)
Investments held for trading - bonds	**(279,359)**	(307,835)
Long-term notes (current and noncurrent)	**(1,908,435)**	–
Total net interest-bearing debt (a)	**158,522,104**	131,196,402
Total equity attributable to owners of the Parent	**284,493,505**	257,004,114
Total net interest-bearing debt and equity attributable to owners of the Parent (b)	**₱443,015,609**	₱388,200,516
Gearing ratio - net (a/b)	**36%**	34%

Interest-bearing Debt to Total Capital plus Interest-bearing Debt

	2015	2014
	(In Thousands)	
Bank loans	**₱9,923,215**	₱13,892,641
Long-term debt	**271,162,069**	247,782,663
Total interest-bearing debt (a)	**281,085,284**	261,675,304
Total equity attributable to owners of the Parent	**284,493,505**	257,004,114
Total interest-bearing debt and equity attributable to owners of the Parent (b)	**₱565,578,789**	₱518,679,418
Gearing ratio - gross (a/b)	**50%**	50%

30. Financial Instruments

Fair Values

The carrying values and estimated fair values of the Group's financial assets and liabilities, by category and by class, except for those with carrying amounts that are reasonable approximations of fair values follow:

			2015		
	Carrying Value	**Fair value**	**Quoted Prices in Active Markets (Level 1)**	**Significant Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	**₱3,964,807**	**₱3,964,807**	**₱–**	**₱3,964,807**	**₱–**
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	**53,127,769**	**57,332,807**	**–**	**–**	**57,332,807**
Receivables - net (including noncurrent portion of receivables from real estate buyers)	**40,096,123**	**39,967,000**	**–**	**–**	**39,967,000**
Long-term notes (included under "Other noncurrent assets" account in the consolidated balance sheet)	**927,000**	**940,801**	**–**	**–**	**940,801**
	94,150,892	**98,240,608**	**–**	**–**	**98,240,608**
	₱98,115,699	**₱102,205,415**	**₱–**	**₱3,964,807**	**₱98,240,608**
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	**₱245,167,269**	**₱265,886,763**	**₱–**	**₱–**	**₱265,886,763**
Tenants' deposits and others*	**25,238,728**	**23,649,743**	**–**	**–**	**23,649,743**
	270,405,997	**289,536,506**	**–**	**–**	**289,536,506**
	₱270,405,997	**₱289,536,506**	**₱–**	**₱–**	**₱289,536,506**

**Excluding nonfinancial liabilities amounting to ₱1,412.0 million as at December 31, 2015*

	2014				
	Carrying Value	Fair value	Quoted Prices in Active Markets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In Thousands)		
Assets Measured at Fair Value					
Financial assets at FVPL -					
Derivative assets	₱2,555,708	₱2,555,708	₱–	₱2,555,708	₱–
Assets for which Fair Values are Disclosed					
Loans and receivables:					
Time deposits - noncurrent portion	47,579,390	51,735,721	–	–	51,735,721
Receivables - net (including noncurrent portion of receivables from real estate buyers)	39,351,403	39,264,893	–	–	39,264,893
	86,930,793	91,000,614	–	–	91,000,614
	₱89,486,501	₱93,556,322	₱–	₱2,555,708	₱91,000,614
Liabilities Measured at Fair Value					
Financial Liabilities at FVPL -					
Derivative liabilities (current and noncurrent)	₱1,151,087	₱1,151,087	₱–	₱58,705	₱1,092,382
Liabilities for which Fair Values are Disclosed					
Other Financial Liabilities:					
Long-term debt (noncurrent portion and net of unamortized debt issue cost)	237,113,555	258,583,840	–	–	258,583,840
Tenants' deposits and others*	21,406,013	20,646,657	–	–	20,646,657
	258,519,568	279,230,497	–	–	279,230,497
	₱259,670,655	₱280,381,584	₱–	₱58,705	₱280,322,879

**Excluding nonfinancial liabilities amounting to ₱573.0 million as at December 31, 2014*

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 as at December 31, 2015 and 2014.

The estimated fair value of the following financial instruments is based on the discounted value of future cash flows using the prevailing interest rates. Discount rates used follow:

	2015	2014
Noncurrent portion of time deposits	**0.91%–2.07%**	0.28%–2.25%
Noncurrent portion of receivables from real estate buyers	**4.50%**	5.20%
Long-term notes included under "Other noncurrent assets" account	**2.01%–3.51%**	–
Tenants' deposits	**2.12%–4.54%**	2.44%–5.22%

Long-term Debt. Fair value is based on the following:

Debt Type	Fair Value Assumptions
Fixed Rate Loans	Estimated fair value is based on the discounted value of future cash flows using the applicable rates for similar types of loans. Discount rates used range from 0.37% to 5.59% and 0.26% to 5.32% as at December 31, 2015 and 2014, respectively.

Debt Type	Fair Value Assumptions
Variable Rate Loans	For variable rate loans that re-price every three months, the carrying value approximates the fair value because of recent and regular repricing based on current market rates. For variable rate loans that re-price every six months, the fair value is determined by discounting the principal amount plus the next interest payment amount using the prevailing market rate for the period up to the next repricing date. Discount rates used were 1.95% to 4.00% and 1.70% to 4.00% as at December 31, 2015 and 2014, respectively.

Derivative Assets and Liabilities. The fair values of the interest rate swaps, cross-currency swaps, and non-deliverable forwards are based on quotes obtained from counterparties classified under Level 2 of the fair value hierarchy. The fair values of the embedded options relating to the Parent Company's convertible bonds were classified under Level 3 because the credit spread used as input to the fair value calculation of the options which were assessed by the Group as having a significant impact to its fair values. The fair values of the embedded options were computed using the indirect method of valuing multiple embedded derivatives. This valuation method compares the fair value of the option-free bond against the fair value of the bond as quoted in the market. The difference of the fair values is assigned as the value of the embedded derivatives.

Significant Unobservable Inputs to Valuation	Range
USD risk-free rate	0.057–0.796%
Credit spread	4.3540%

To assess the impact of the credit spreads used, the Group performed a sensitivity analysis using an increase (decrease) assumption in the credit spreads, the result of which is shown below:

	Increase (Decrease) in Credit Spread	Net Effect on Fair Values of Option
		(In Thousands)
2014	100 bps	(₱88,977)
	(100) bps	91,303

The rollforward analysis of the fair value changes of this financial instrument follows:

	2015	2014
	(In Thousands)	
Balance at beginning of year	**(₱1,092,382)**	(₱845,429)
Fair value changes	**(151,020)**	(257,680)
Conversions	**1,243,402**	10,727
Balance at end of year	**₱–**	(₱1,092,382)

Derivative Financial Instruments

To address the Group's exposure to market risk for changes in interest rates arising primarily from its long-term floating rate debt obligations and to manage its foreign exchange risks, the Group entered into various derivative transactions such as cross-currency swaps, interest rate swaps, foreign currency call options, non-deliverable forwards and foreign currency range options. The Company also has embedded derivatives from the Parent Company's long-term note (recorded under "Noncurrent Assets" account) and convertible bonds.

	Parent				SM Prime			Total
	Cross-currency Swaps	Options arising from Convertible Bonds	Foreign Currency Swap	Non-deliverable Forwards	Cross-currency Swaps	Interest Rate Swaps	Non-deliverable Forwards	
				(In Thousands)				
Balance as at December 31, 2013	₱864,677	(₱845,429)	₱–	₱–	₱1,668,399	(₱49,562)	₱–	₱1,638,085
Fair value changes:								
Interest expense	–	–	–	–	(225,249)	(37,423)	–	(262,672)
Foreign currency exchange loss	–	(12,597)	–	–	–	–	–	(12,597)
Cumulative translation adjustments	58,217	–	–	–	(66,067)	–	–	(7,850)
Gain (loss) on fair value changes of derivatives	–	(245,083)	32,190	2,000	–	21,340	13,612	(175,941)
Transferred to additional paid-in capital	–	10,727	–	–	–	–	–	10,727
Fair value of settled derivatives	–	–	(32,190)	(2,000)	225,249	37,422	(13,612)	214,869
Balance as at December 31, 2014	922,894	(1,092,382)	–	–	1,602,332	(28,223)	–	1,404,621
Fair value changes:								
Interest expense	–	–	–	–	(187,210)	(59,189)	–	(246,399)
Foreign currency exchange gain	–	153	–	–	–	–	–	153
Cumulative translation adjustments	441,114	–	–	–	998,467	–	–	1,439,581
Gain (loss) on fair value changes of derivatives	–	(151,173)		6,491	–	28,223	13,694	(102,765)
Transferred to additional paid-in capital	–	1,243,402	–	–	–	–	–	1,243,402
Fair value of settled derivatives	–	–	–	(6,491)	187,210	59,189	(13,694)	226,214
Balance as at December 31, 2015	**₱1,364,008**	**₱–**	**₱–**	**₱–**	**₱2,600,799**	**₱–**	**₱–**	**₱3,964,807**
Derivative assets	₱1,364,008	₱–	₱–	₱–	₱2,600,799	₱–	₱–	₱3,964,807
Derivative liabilities	–	–	–	–	–	–	–	–
Balance as at December 31, 2015	**₱1,364,008**	**₱–**	**₱–**	**₱–**	**₱2,600,799**	**₱–**	**₱–**	**₱3,964,807**

Derivative Instruments Accounted for as Cash Flow Hedges

Cross-currency Swaps. In 2013, the Parent Company and SM Prime entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on its U.S. dollar-denominated five-year term loans (the hedged loans) (see Note 20).

Under the floating-to-fixed cross-currency swaps, the hedged U.S. dollar-denominated loans have been converted into Philippine peso-denominated loans. Details of the floating-to-fixed cross-currency swaps are as follows:

- Swap the face amount of the loans at US$ for their agreed Philippine peso equivalents with the counterparty banks and exchange, at maturity date, the principal amount originally swapped.

- Pay fixed interest at the Philippine peso notional amount and receive floating interest on the US$ notional amount, on a semi-annual basis, simultaneous with interest payments on the hedged loans.

As the terms of the swaps have been negotiated to match the terms of the hedged loans, the hedges were assessed to be highly effective. No ineffectiveness was recognized in the consolidated statements of income for the years ended December 31, 2015 and 2014.

Details of the hedged loans follow:

	Outstanding Principal Balance (In Thousands)		Interest Rate	Maturity
	(In US$)	*(In Ph₱)*		
Parent -				
Unsecured loans	US$180,000	₱8,470,800	6-month US LIBOR + 1.70%	May 15, 2018
SM Prime:				
Unsecured loan	200,000	9,412,000	6-month US LIBOR + 1.70%	January 29, 2018
Unsecured loan	150,000	7,059,000	6-month US LIBOR + 1.70%	March 25, 2018

The Group's outstanding cross-currency swaps as at December 31, 2015 follow:

	Notional Amount (In Thousands)		Receive	Pay	US$:₱ Rate	Maturity	Fair Value (In Thousands)
	(In US$)	*(In Ph₱)*					
Parent:							
Floating-to-Fixed	US$50,000	₱2,059,250	6M US LIBOR + 170 bps	4.05%	₱41.19	May 15, 2018	₱380,667
Floating-to-Fixed	60,000	2,478,000	6M US LIBOR + 170 bps	4.03%	41.30	May 15, 2018	451,005
Floating-to-Fixed	70,000	2,888,200	6M US LIBOR + 170 bps	3.98%	41.26	May 15, 2018	532,336
SM Prime:							
Floating-to-Fixed	150,000	6,100,500	6M US LIBOR + 170 bps	3.70%	40.67	January 29, 2018	1,162,002
Floating-to-Fixed	50,000	2,033,500	6M US LIBOR + 170 bps	3.70%	40.67	January 29, 2018	372,570
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	370,959
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	343,859
Floating-to-Fixed	50,000	2,055,000	6M US LIBOR + 170 bps	3.90%	41.10	March 23, 2018	351,409

Other Derivative Instruments Not Designated as Accounting Hedges

- *Options Arising from Long-term Note.* The Parent Company entered into a loan agreement with Atlas. The loan contains multiple embedded derivatives such as conversion, call and put options. The conversion option pertains to the right of the Parent Company to convert the loan into common shares of Atlas at the conversion price of ₱8.29 per share at any time beginning July 21, 2015 until June 2, 2018. The call option pertains to the right of Atlas to early redeem the loan, in whole but not in part, on or after December 9, 2016 subject to the conditions stated in the loan agreement. On the other hand, the put option pertains to the right of the Parent Company to require Atlas to redeem all or some of the loan at their prepayment amount on the date fixed for prepayment beginning June 9, 2016. As at December 31, 2015, all outstanding embedded derivatives have nil values.

The Group's interest rate swaps presented by maturity profile follow:

Year Obtained	Maturity	Interest Payment	Outstanding Notional Amount <1 year	Receive	Pay	Aggregate Fair Value 2015	2014
			(In Thousands)			*(In Thousands)*	
Floating-to-Fixed							
2013	June 2015	Quarterly	₱349,440	3MPDST-R2	3.65%–4.95%	₱–	(₱1,882)
2011	March 2015	Semi-annual	$145,000	6 months LIBOR + margin	2.91%–3.28%	–	(37,535)
2010	November 2015	Semi-annual	$30,000	6 months LIBOR + margin	3.18%	–	(19,288)
Fixed-to-Floating							
2010	June 2015	Quarterly	₱1,570,560	5.44%–7.36%	3MPDST-R2	₱–	₱30,482

Interest Rate Swaps. In 2013, SM Prime entered into two floating-to-fixed Philippine peso interest rate swap agreements with a notional amount of ₱175.0 million each to offset the cash flows of the two fixed-to-floating Philippine peso interest rate swaps entered into in 2010. The loans bear interest based on LIBOR plus spread, with bullet maturity on March 25, 2018 and January 24, 2018, respectively (see Note 20). Fair value change from the matured swap recognized in the consolidated statement of income amounted to ₱2.0 million gain in 2015.

In 2011, SMPH entered into floating-to-fixed US$ interest rate swap agreements with aggregate notional amount of US$145 million. Under the agreements, SMPH effectively converts the floating rate U.S. dollar-denominated term loan into fixed rate loan with semi-annual payment intervals up to March 21, 2015 (see Note 20). Fair value change from the matured swap recognized in the consolidated statement of income amounted to ₱38 million gain in 2015.

In 2010, SM Prime entered into the following interest rate swap agreements:

- A US$ interest rate swap agreement with a nominal amount of US$30.0 million. Under the agreement, SM Prime effectively converts the floating rate U.S. dollar-denominated five-year bilateral unsecured loan into a fixed rate loan with semi-annual payment terms up to November 2015 (see Note 20). Fair value change from the matured swap recognized in the consolidated statement of income amounted to ₱19 million gain in 2015.

- Two Philippine peso interest rate swap agreements with a notional amount of ₱1,000.0 million each, with amortization of ₱10.0 million every anniversary. The consolidated net cash flow of the two swaps effectively converts the Philippine peso-denominated five-year inverse floating rate notes into floating rate notes with quarterly payment terms up to June 2015 (see Note 20). Fair value change from the matured swap recognized in the consolidated statement of income amounted to ₱31 million loss in 2015.

US$250.0 million Convertible Bonds. The Parent Company's convertible bonds contain multiple embedded derivatives which were bifurcated and accounted for as a single compound derivative (see Note 20).

Non-deliverable Forwards. In 2015 and 2014, the Parent Company and SM Prime entered into sell ₱ and buy US$ forward contracts. It also entered into sell US$ and buy ₱ with the same aggregate notional amount.

31. EPS Computation

	2015	2014	2013
	(In Thousands Except for Per Share Data)		
Net income attributable to owners of the Parent for basic earnings (a)	**₱28,455,260**	₱28,398,584	₱27,445,682
Effect on net income of convertible bonds, net of tax	–	–	–
Net income attributable to common equity holders of the Parent adjusted for the effect of dilution (b)	**₱28,455,260**	₱28,398,584	₱27,445,682
Weighted Average Number of Common Shares Outstanding			
Weighted average number of common shares outstanding for the year, after retroactive effect of stock dividends declared in 2013 (c)	**797,477**	796,317	787,457
Dilutive effect of convertible bonds	–	–	–
Weighted average number of common shares outstanding for the period adjusted for the effect of dilution (d)	**797,477**	796,317	787,457
Basic EPS (a/c)	**₱35.68**	₱35.66	₱34.85
Diluted EPS (b/d)	**₱35.68**	₱35.66	₱34.85

The effect of the convertible bonds on net income and on the number of shares in 2014 and 2013 were not considered due to its antidilutive effect, which if included, will result to an EPS of ₱35.77 and ₱36.34 in 2014 and 2013, respectively. As at April 9, 2015, the remaining 6.7 million convertible shares was fully converted to SMIC shares, hence, basic and diluted EPS as at December 31, 2015 is the same.

32. Non-cash Transactions

The Group's principal non-cash transaction under financing activities pertains to the conversion of the Parent Company's convertible bonds into common shares. Details of the conversion option of the convertible bonds and the conversions are in Note 20.

33. Reclassifications of Accounts

The Group made reclassification of certain consolidated balance sheet accounts as at December 31, 2014 and consolidated statement of income accounts in 2014 and 2013 to conform to the 2015 consolidated financial statements presentation and classification. The reclassifications were made to properly present advances and deposits from other current assets to other noncurrent assets, and land use rights from investment properties to other noncurrent assets. The reclassifications have no impact on the 2014 and 2013 profit or loss as well as the December 31, 2014 equity of the Group. A third balance sheet as at the beginning of the preceding period is not presented because the reclassifications do not have material impact on the consolidated balance sheets as at December 31, 2014 and January 1, 2014.

34. **Events After the Reporting Period**

On January 8 and February 9, 2016, the Parent Company extended two five-year term loans to Atlas amounting to ₱705.4 million and ₱1,346.3 million, respectively. These unsecured loans bear interest at 5.0% and are payable quarterly.

On February 29, 2016, the BOD of the Parent Company approved the merger of SM Retail with certain related entities namely, Forsyth Equity Holdings, Inc., HFS Corporation, Morrison Corporation, San Mateo Bros., Inc. and Tangiers Resources Corporation, with SM Retail as the surviving entity. These related companies own various retail businesses.

RECONCILIATION OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2015
(Amounts in Thousands)

SM Investments Corporation

10th Floor, One E-Com Center, Harbor Drive,
Mall of Asia Complex, CBP-1A, Pasay City 1300

Unappropriated RE, December 31, 2014			**₱14,303,776**
Adjustments to beginning unappropriated RE:			
Rental income from straight-line amortization in excess of rental collections		(₱365,904)	
Actuarial loss at January 1, 2013 recorded as retirement expense		48,548	(317,356)
Unappropriated RE, as adjusted to available for dividend distribution, beginning			**13,986,420**
Net income during the period closed to Retained Earnings		19,127,814	
Less:	Rental income from straight-line amortization in excess of rental collections	12,383	
Net income actually earned/realized during the period			**19,115,431**
Add (Less):	Cash dividends declared during the period		(8,520,418)
	Appropriations of Retained Earnings during the period		(27,000,000)
	Reversals of appropriations		18,000,000
Unappropriated RE, as adjusted to available for dividend distribution, ending			**₱15,581,433**

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
List of Philippine Financial Reporting Standards (PFRSs) and Interpretations Effective as at December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations	✓		
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination	✓		
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements	✓		
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge accounting and amendments to PFRS 9 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PFRS 11	Joint Arrangements	✓		
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts	✓		
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment	✓		
	Amendment to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation/Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures			✓
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28	Investments in Associates	✓		
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures	✓		
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation	✓		
	Amendment to PAS 32: Classification of Rights Issues	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 32: Tax effect of distribution to holders of equity instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim financial reporting and segment information for total assets and liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		

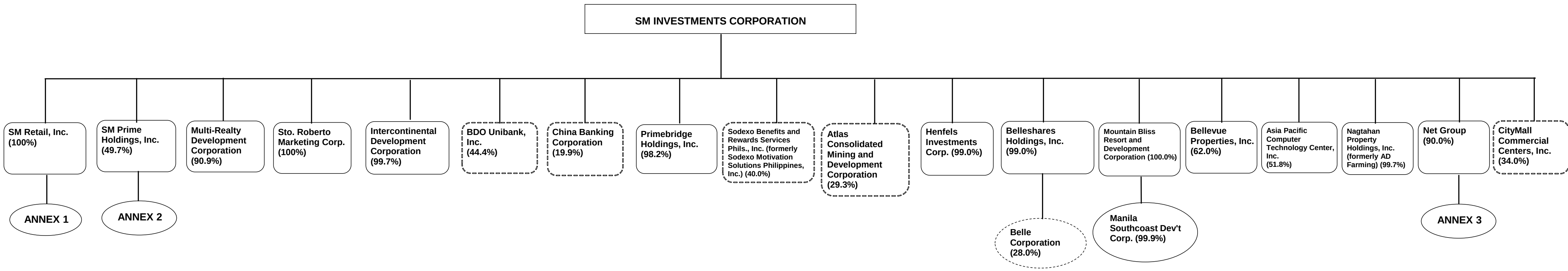
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions	✓		
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
	Amendment to PAS 39: Eligible Hedged Items	✓		
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting	✓		
PAS 40	Investment Property	✓		
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives	✓		
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			✓
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015*

Note: Standards and interpretations tagged as "Not Applicable" are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
As of December 31, 2015



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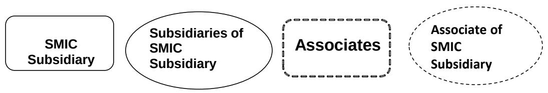
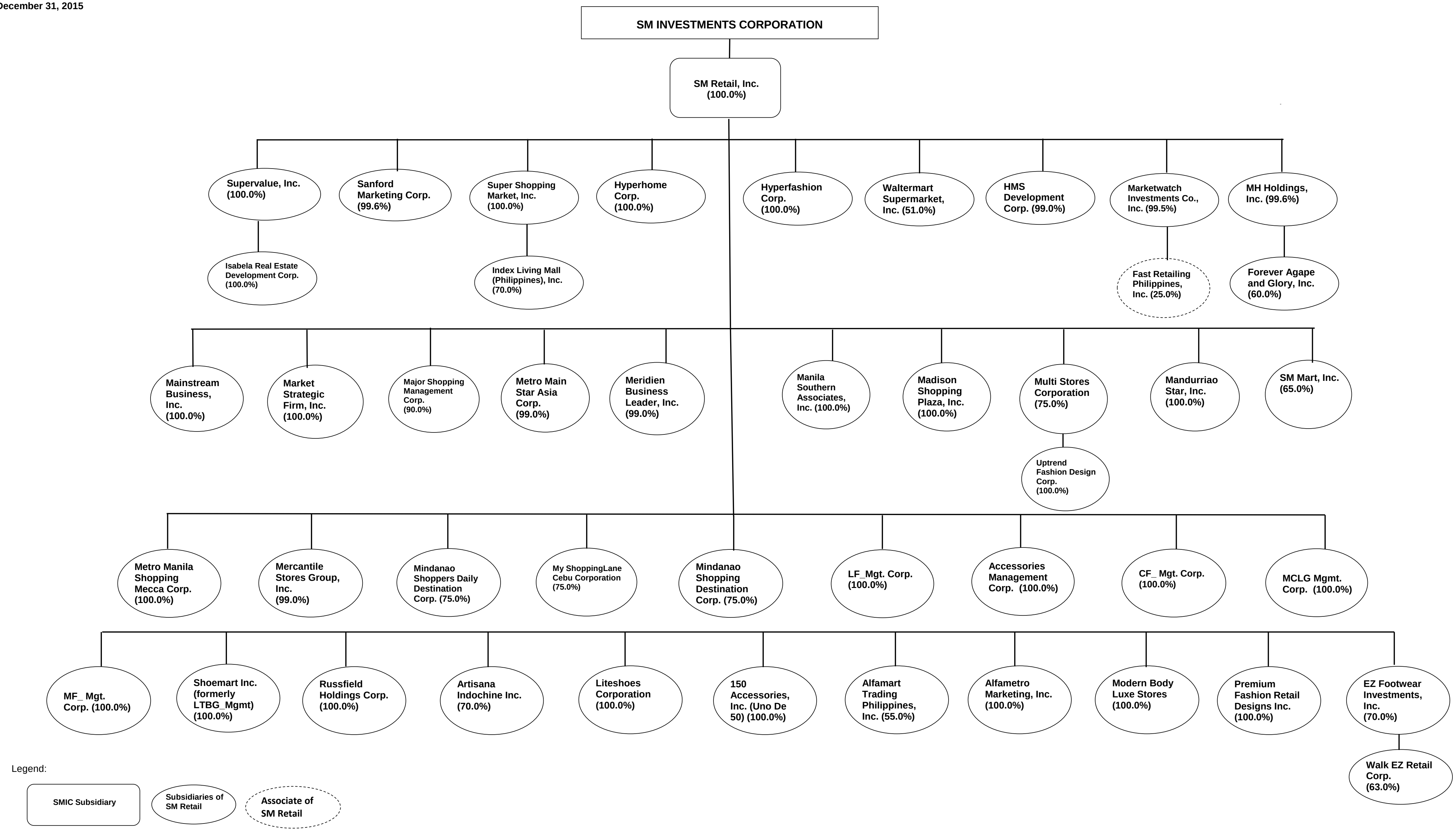


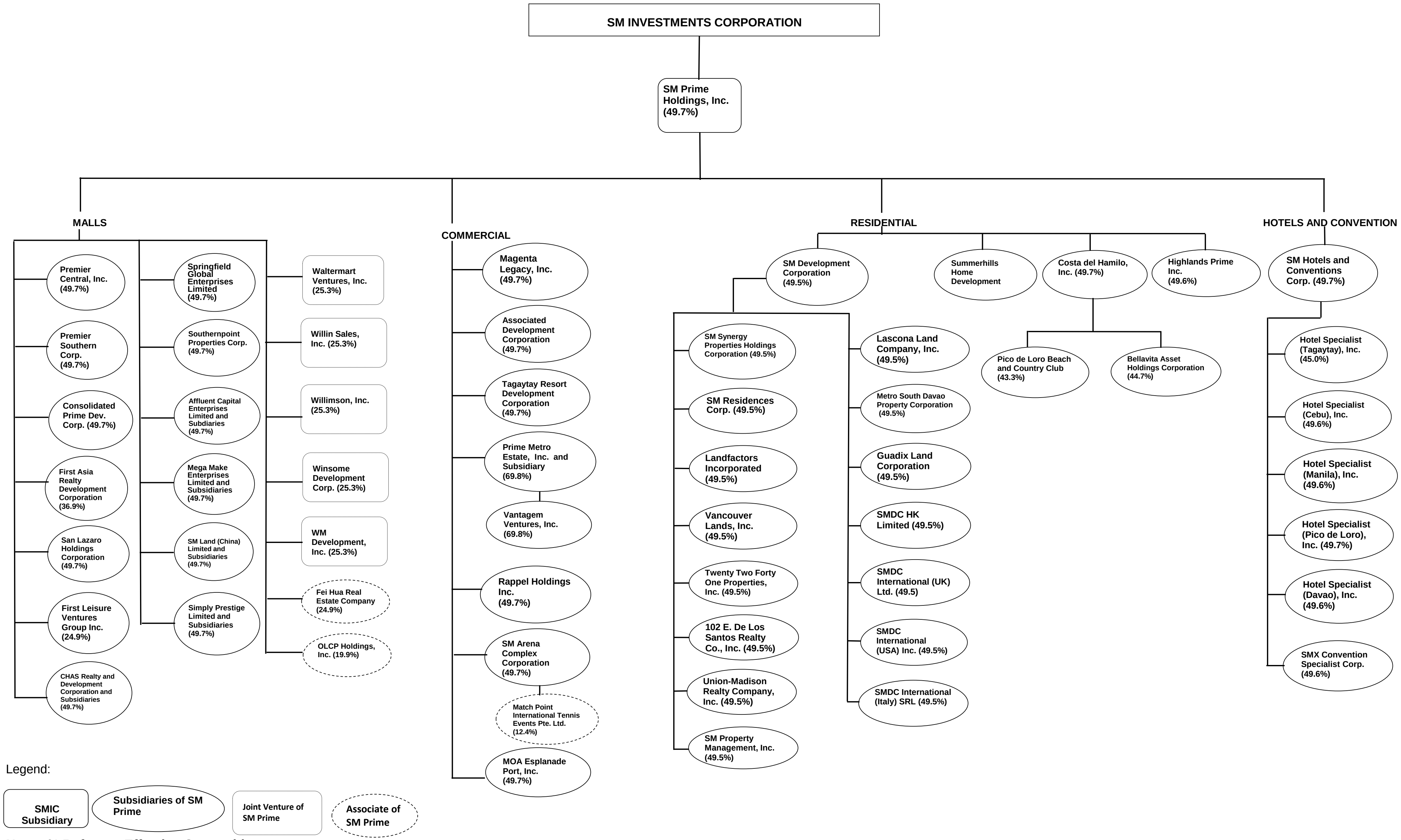
Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 1
As of December 31, 2015



Note: % Refers to Effective Ownership

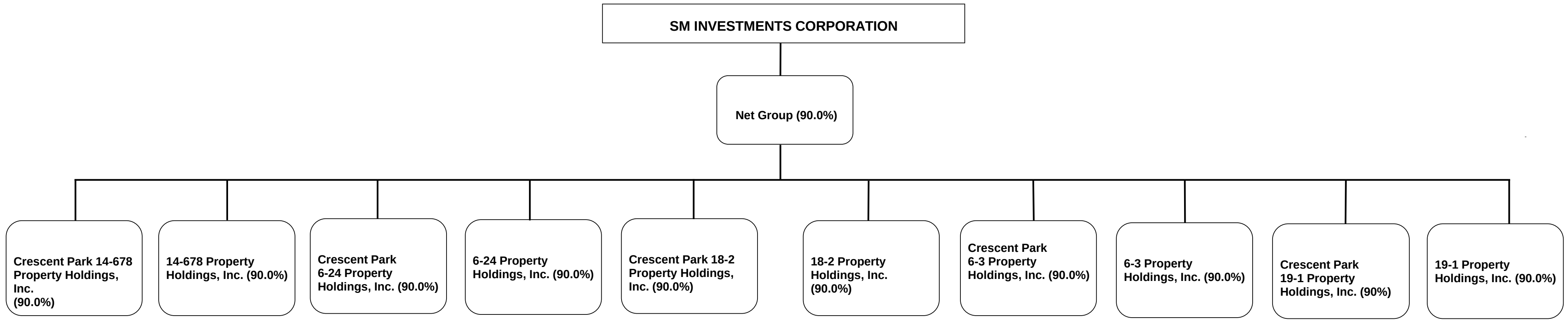
SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 2
As of December 31, 2015



Note: % Refers to Effective Ownership

Annex 2

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
Corporate Structure
Annex 3
As of December 31, 2015



Legend:

SMIC Subsidiary

Note: % Refers to Effective Ownership

SM INVESTMENTS CORPORATION AND SUBSIDIARIES
FINANCIAL RATIOS - KEY PERFORMANCE INDICATORS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

		Formula	2015	2014
i.	Current ratio	Current assets / Current liabilities	1.47 : 1	1.91 : 1
ii.	Debt-to-equity ratio	Total interest-bearing debt / Total equity attributable to equity holders of the parent + Total interest-bearing debt	50 : 50	50 : 50
	Net debt-to-equity ratio	Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits, investments in bonds held for trading and available-for-sale / Total equity attributable to equity holders of the parent + Total interest-bearing debt less cash and cash equivalents (excluding cash on hand), time deposits, investments in bonds held for trading and available-for-sale	36 : 64	34 : 66
iii.	Asset to equity ratio	Total assets / Total equity	2.02	2.03
iv.	Interest rate coverage ratio	Income from operations + Depreciation and amortization / Interest expense	6.53	5.33
v.	Return on assets	Net income attributable to equity holders of the parent / Average assets	3.8%	4.2%
	Return on equity	Net income attributable to equity holders of the parent / Average equity attributable to equity holders of the parent	10.3%	12.0%