

# COVER SHEET

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(Business Address: No. Street City/Town/Province)

Virgilio S. Jacinto
Contact Person

632-3143
Company Telephone Number

1	2
Month	

3	1
Day	

SEC Form 17-A
FORM TYPE

0	7
Month	

0	9
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Annual Meeting

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Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

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Total No. of Stockholders

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Domestic

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Foreign

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To be accomplished by SEC Personnel concerned

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended **December 31, 2013**
2. SEC Identification Number **CS200803939**
3. BIR Tax Identification No. **006-990-128**
4. **TOP FRONTIER INVESTMENT HOLDINGS, INC.**  
Exact name of issuer as specified in its charter
5. **Philippines**  
Province, Country or other jurisdiction of  
incorporation or organization
6.   
Industry Classification Code:
7. **5<sup>th</sup> Floor ENZO Building, Sen. Gil. Puyat Ave., Makati City**  
Address of principal office
- 1200**  
Postal Code
8. **(02) 632-3481**  
Issuer's telephone number, including area code
9. **N/A**  
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the SRC

Title of Each Class	Number of Shares of Common Stock Outstanding and approximate Debt Outstanding (as of December 31, 2013)
<b>Common Shares</b>	<b>332,886,167*</b>

*\*Net of the 157,310,033 common shares held in Treasury*

**Total Liabilities** **P856,060 million**

11. Are any or all of these securities listed on a Stock Exchange?

Yes [☒] No [☐]

If yes, state the name of such stock exchange and the classes of securities listed therein:

**Philippine Stock Exchange** **Common Shares**

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

Yes [☒]      No [☐]

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [☒]      No [☐]

13. The aggregate market value of the voting stock held by non-affiliates of the Parent Company as of March 31, 2014 is P3,496,997,467.35.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

14. The following documents are attached and incorporated by reference:

None.

#### **PART I – BUSINESS AND GENERAL INFORMATION**

##### **Item 1. Business**

Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company) is a Philippine corporation organized in March 2008 as a holding company. Top Frontier is the largest shareholder of San Miguel Corporation (SMC) in which it holds 1,573,100,340 common shares, or 66.18 % of SMC's total outstanding common stock, as of December 31, 2013. On August 30, 2013, Top Frontier acquired 100% of the outstanding common stock of Clariden Holdings, Inc. (Clariden), a holding company with interests in mining exploration and development. Other than its ownership in SMC and Clariden, the Parent Company has no other operations as of December 31, 2013.

Major developments in Top Frontier and its subsidiaries (collectively referred to as the "Group") are discussed in the Management's Discussion and Analyses of Financial Position and Financial Performance, attached herein as **Annex "F"**, and in Notes 5, 7, 12 and 13 of the Audited Consolidated Financial Statements, attached herein as **Annex "D"**.

##### **SAN MIGUEL CORPORATION**

San Miguel Corporation (SMC), together with its subsidiaries (collectively referred to as the SMC Group), is one of the largest and most diversified conglomerates in the Philippines by market capitalization and total assets, with sales accounting for approximately 6.5% of the Philippine GDP in 2013. Originally founded in 1890 as a single brewery in the Philippines, SMC has transformed itself from a market-leading beverages, food and packaging business with a globally recognized beer brand, into a diversified conglomerate with market-leading businesses and investments in the fuel and oil, energy, infrastructure, telecommunications, mining, banking and airline industries. SMC owns a portfolio of companies that is tightly interwoven into the economic fabric of its home market, benefiting from and contributing to, the development and economic progress of the Philippines. The common shares of SMC were listed on the Philippine Stock Exchange (PSE) on November 5, 1948.

Since 1890, SMC Group has become a market leader in its established businesses in beverages, food and packaging industries with over 18,000 employees and more than 100 production facilities in the Asia-Pacific region as of December 31, 2013. SMC's portfolio of products includes beer, liquor, non-alcoholic beverages, poultry, animal feeds, flour, meats, dairy products, coffee and various packaging products.

In 2007, in light of the opportunities presented by the global financial crisis, the Philippine government's asset and industry privatization program, and SMC's strong cash position resulting from divestments and strong cash flow generated by its established businesses, SMC embarked on an aggressive diversification program. The program channeled the resources of SMC into attractive growth sectors, aligned with the development and growth of the Philippine economy.

Through partnerships with major international companies, SMC Group has gained access to the latest technologies and expertise, thereby enhancing the Group's status as a world-class organization.

SMC has strategic partnerships with international companies, among them Nihon Yamamura Glass Company, Ltd. (NYG), Hormel Foods International Corporation (HFIC) of the United States, Super Coffee Corporation Pte. Ltd. (SCCPL) of Singapore, Penderyn Pte. Ltd. (Penderyn) and Kirin Holdings Company Limited, one of the largest beer manufacturing companies in Japan.

In addition, SMC Group contributes to the growth of downstream industries and sustains a network of hundreds of third party suppliers.

Since January 1, 2008, SMC has either directly or through its subsidiaries, made a series of acquisitions in the fuel and oil, energy, infrastructure, mining, telecommunications, banking and airline industries.

### ***Beverages***

The beverages business consists of brewing, distilling, selling, marketing and distributing beer, liquor and non-alcoholic beverages. SMC conducts its beverage business through its majority owned subsidiaries: San Miguel Brewery Inc. (SMB) for beer and Ginebra San Miguel, Inc. (GSMI) for liquor and non-alcoholic beverages.

SMB sells the dominant beer brands in the Philippines, with a total market share of 90% in 2012, according to Canadean. In addition to its Philippine beer operations, SMB has brewery and sales operations in Hong Kong, China, Vietnam, Thailand and Indonesia through its wholly - owned subsidiary, San Miguel Brewing International Ltd. (SMBIL). SMB exports its beer products to over 40 countries and territories worldwide in North America, South America, Europe, Africa, the Middle East, Australia and the rest of Asia. SMBIL's exports are primarily sold under various San Miguel beer brands and under private labels.

SMC, through its majority-owned subsidiary, GSMI, is the largest gin producer by volume in the world with some of the most recognizable brands in the Philippine liquor market. It operates two distilleries and six liquor bottling facilities.

SMC also produces bottled purified water, carbonated energy drinks, non-carbonated tea and fruit juices in ready-to-drink bottled and powdered formats in the Philippines through GSMI.

## Food

The food business holds numerous market leading positions in the Philippine food industry, offering a brand range of high – quality food products and services to both household and food service customers. The food business is conducted through San Miguel Pure Foods Company, Inc. (SMPFC). In addition to its Philippine operations, the food business has operations in Indonesia and Vietnam.

SMPFC has some of the best known brands in the Philippine food industry, such as Magnolia, Purefoods, Monterey, Star, Dari Crème and B-Meg. Its products range from poultry, fresh and value-added meats, feeds, flour and flour-based products, cooking oils, bread fill, dairy, coffee and cereals.

The support of SMC and partnerships with major international companies like United States-based HFIC and SCCPL and Pendergyn have given SMPFC access to the latest technologies and expertise, allowing it to deliver flavor, freshness, safety, quality and value-for-money to its customers.

SMPFC is an 85.37%-owned business of SMC. It was incorporated in 1956 to engage primarily in the business of manufacturing and marketing of processed meat products. SMPFC, through its subsidiaries, later on diversified into poultry and livestock operations, feeds and flour milling, dairy and coffee operations, franchising and young animal ration manufacturing and distribution. SMPFC was consolidated with SMC in April 2001.

The Food Group operates through the following subsidiaries:

- *San Miguel Foods, Inc. (SMFI)* - is a 99.97%-owned subsidiary of SMPFC and operates the integrated Feeds, and Poultry and Fresh Meats businesses, the Franchising business, the San Miguel Integrated Sales (SMIS) selling and distribution activities, and the Great Food Solutions (GFS) food service business.
  - a) *Feeds business* - manufactures and sells different types of feeds to commercial growers. Internal requirements of SMFI's Poultry and Fresh Meats businesses are likewise being served by the Feeds business.
  - b) *Poultry and Fresh Meats business* - engages in integrated poultry operations and sells live broilers, dressed chicken, cut-ups and cook-easy formats, as well as customized products for export and for domestic food service accounts. It also manages fully-integrated operations for pork and beef, and engages in the sale and distribution of fresh meats and value-added meat products in *Monterey* meat shops located in major supermarkets and cities throughout the country. The business supplies the requirements of The Purefoods-Hormel Company, Inc. (PF-Hormel), an affiliate, for the latter's manufacture of meat-based value-added products.
  - c) *Franchising business* - engages in franchising operations and was established in September 2011 primarily to strengthen and grow SMFI's retail business model through faster franchise expansion, brand performance improvement and development of new business concepts for retail. Its three retail concepts, namely *San Mig Food Ave.*, which consolidates the former *San Miguel Food Shop* outlets and the *Treats* convenience store network acquired by SMFI from Petron Corporation (Petron) in September 2011, *Smokey's* hotdog bars and *Hungry Juan* roast barbecue outlets, showcase the San Miguel Group's food and beverage products. There are a total of 253 outlets for the three retail concepts operating as of December 31, 2013.

- d) *San Miguel Integrated Sales* - was established in May 2009 when the receivables, inventories and fixed assets of SMC's Centralized Key Accounts Group were transferred to SMFI. SMIS is engaged in the business of selling and distributing various products of the value-added businesses of SMPFC, namely Magnolia, Inc. (Magnolia), PF-Hormel, San Miguel Mills, Inc.'s (SMMI) retail flour line and San Miguel Super Coffeemix Co., Inc. (SMSCCI), to both modern and general trade customers.
  - e) *Great Food Solutions* - engages in the food service business and caters to hotels, restaurants, convenience stores and other institutional accounts for their meat, poultry, dairy, coffee and flour-based requirements; and provides food solutions/recipes and menus. GFS used to handle also the *Smokey's* hotdog bars franchising operations. In February and April 2012, the franchising and food service businesses under GFS, the operating division of SMPFC, were transferred to SMFI.
- *San Miguel Mills, Inc.* - is a 100%-owned subsidiary of SMPFC and engages in the manufacture and distribution of flour and premixes. In September 2011, SMMI formed *Golden Bay Grain Terminal Corporation* (GBGTC) as its wholly-owned subsidiary. GBGTC, which started commercial operations in September 2013, is a domestic company with the primary purpose of providing and rendering general services connected with and incidental to the operation and management of port terminals engaged in handling and/or trading of grains, among others. In June 2012, SMMI acquired Cobertson Realty Corporation (CRC) and became a wholly-owned subsidiary of SMMI. CRC is a Philippine corporation engaged in the purchase, acquisition, development or use for investment, among others, of real and personal property, to the extent permitted by law. In December 2012, CRC's corporate name was changed to Golden Avenue Corp. following the necessary approvals of CRC's Board of Directors and stockholders, and the Philippine Securities and Exchange Commission (SEC).
  - *The Purefoods-Hormel Company, Inc.* - is a 60%-40% joint venture between SMPFC and Hormel Netherlands B.V., which produces and markets value-added refrigerated processed meats and canned meat products. PF-Hormel's refrigerated processed meats include hotdogs, bacon, hams and nuggets, while its canned meat products include corned beef, luncheon meat, sausages, spreads and ready-to-eat viands.
  - *Magnolia, Inc.* - is a 100%-owned subsidiary of SMPFC and manufactures and markets butter, margarine, cheese, milk, ice cream, jelly snacks, cooking oils and salad aids. Production of milk, jelly snacks, cooking oils and salad aids is outsourced to third party tollers, while production of ice cream is handled by Golden Food & Dairy Creamery Corporation (GFDCC), a domestic company engaged in the toll manufacturing of ice cream products before it became a wholly-owned subsidiary of Magnolia in September 2011.
  - *PT San Miguel Pure Foods Indonesia (PTSMPI)* - started as a 49%-51% joint venture between SMPFC and the Hero Group of Companies and organized in 1995 for the manufacture and distribution of processed meats in Indonesia. In 2004, SMPFC increased its ownership to 75% following the Hero Group's divestment of its interest in PTSMPI. The remaining 25% is currently owned by Penderyn of Singapore.
  - *San Miguel Super Coffeemix Co., Inc.* - is a 70%-30% joint venture between SMPFC and Super Coffeemix Manufacturing Ltd. (SCML) of Singapore, which started commercial operations in April 2005 by marketing its 3-in-1 regular coffee mixes in the Philippines. Since then, SMSCCI has introduced a number of products that include a sugar-free line of coffee mixes, 100% Premium Instant Coffee and a functional line of

coffee mixes. In November 2009, by virtue of the Deed of Assignment and Deed of Novation of Joint Venture Agreement executed by and among SMSCCI, SCML and SCCPL, SCML assigned and transferred its entire shareholding in SMSCCI to SCCPL.

- *San Miguel Pure Foods International, Limited (SMPFIL)* - is a company incorporated in the British Virgin Islands in February 2007 and is 100%-owned by SMPFC. In July 2010, SMPFC acquired San Miguel Hormel (Vn) Co., Ltd. (SMHVN, formerly San Miguel Pure Foods (Vn) Co., Ltd.), a company incorporated in Vietnam that engages in live hog farming and the production of feeds and fresh and processed meats, through SMPFIL.

## **Packaging**

The packaging business has one of the largest packaging operations in the Philippines, producing glass, metal, plastic, aluminum cans, paper, flexibles, PET and other packaging products. The packaging business is the major source for packaging products for the other businesses of SMC. It also supplies its products to major multinational corporations in the Philippines and customers across the Asia-Pacific region, the United States, Africa, Australia and the Middle East. The packaging business is conducted through the Packaging Group.

*Glass.* The glass business is the largest business segment of the Packaging Group. It has three glass manufacturing facilities in the Philippines and one glass mold plant serving the requirements of the beverage, spirits, food, pharmaceutical, chemical, personal care and health care industries. The bulk of the glass bottle requirements served by this segment are for the beverage industries. San Miguel Yamamura Asia Corporation (SMYAC) is rated as the country's most technologically advanced glass manufacturing facility.

*Metal.* The metal business manufactures metal caps, crowns, resealable caps and two-piece aluminum beverage cans for a range of industries that include beer, spirits, softdrinks and food. The Packaging Group's metal container plant is the only aluminum beverage can plant in the Philippines and pioneered in the production of two-piece cans and ends for the beverage market.

*Plastic.* The plastic business provides plastic crates and pallets, plastic poultry flooring, plastic trays, plastic tubes, plastic consumer and industrial containers, and plastic pails and tubs to domestic and international markets.

*PET.* The PET business produces PET preforms and bottles, plastic caps & handles and offers filling services.

*Paper.* Mindanao Corrugated Fibreboard, Inc. (Mincorr), a wholly-owned subsidiary of SMC, supplies the packaging needs of a broad range of manufacturing and agricultural industries. Mincorr is based in Davao. The Group also operates a paperboard facility in China.

*Flexibles.* Through the Rightpak plant and Malaysian plants, the Packaging Group manufactures flexible packaging for the food, beverage, personal care, chemical and healthcare industries. It also provides composite materials for a varied range of industries including construction, semiconductor and electronics.

The Packaging Group has ten international packaging facilities located in China (glass, plastic and paperboard), Vietnam (glass and metal), Malaysia (flexibles, plastic films, woven bags, industrial laminates and a packaging research center) and Australia (plastics and trading).

In January 2008, SMC finalized a joint venture agreement with NYG pursuant to which NYG purchased 35% of San Miguel Packaging Specialists, Inc. and San Miguel Packaging International Limited (SMPIL).

Following the creation of a joint venture between SMPSI and NYG, SMPSI changed its corporate name to "San Miguel Yamamura Packaging Corporation" (SMYPC), as approved by the SEC on June 4, 2008. In addition, the Board of Directors of SMPIL likewise approved the change in the corporate name of SMPIL to "San Miguel Yamamura Packaging International Limited" (SMYPIL) on January 3, 2008 and such change became effective on June 11, 2008.

SMYPC owns all of the domestic plants of the Packaging Group, except the corrugated carton plant, Mincorr and SMYAC, which is already an existing joint venture between SMC and NYG and the metal container plant owned by Can Asia, Inc. (CAI). SMYPIL's subsidiaries are the Packaging Group's international facilities.

In December 17, 2009, the Packaging Group through its international subsidiary, SMYPIL, acquired a 65% stake in JHK Investments Pty. Ltd., which owns 100% of Cospak Group, the largest packaging trading firm in Australia. As of October 2013, SMYPIL acquired the remaining shares in San Miguel Yamamura Knox, Pty. Ltd, now San Miguel Yamamura Australasia Pty. Ltd. (SMYA). Accordingly, SMYA is now wholly-owned by SMYPIL.

In January 2013, SMYPC finalized its joint venture with Can-Pack S.A. for its two-piece aluminum can manufacturing business. Through the joint-venture company, CAI, the strategic partnership will modernize SMYPC's aluminum can business while utilizing the know-how and technologies of Can Pack Group. It also aims to introduce various aluminum can packaging formats to the growing market in the Philippines and the Asia Pacific region.

On March 1, 2013, the Parent Company through SMYPC, acquired 104,500,000 common shares, equivalent to 35% equity interest in Northern Cement Corporation (NCC). NCC is primarily engaged in manufacturing, developing, processing, exploiting, buying and selling cement and/or other products derived therefrom.

### ***Properties***

San Miguel Properties, Inc. (SMPI) was created in 1990 initially as the corporate real estate arm of SMC. It is the primary property subsidiary of the SMC Group, currently 99.68% owned by SMC.

SMPI is presently engaged in commercial property development, sale and lease of real properties, management of strategic real estate ventures and corporate real estate services.

Among the completed projects are residential subdivisions located at General Trias, Cavite and Sta. Rosa, Laguna. In addition, construction has started for the three townhouse projects located at Mandaluyong, Pasig and San Juan City.

The construction of a 432-room serviced apartment in Legaspi Street, Makati is now in full swing in time for its completion by end of 2014.

### ***Energy***

The energy business is a leader in the Philippine power generation industry in terms of installed capacity. SMC administers three power plants, located in Sual (coal), Ilijan (natural gas) and San Roque (hydroelectric), with a combined capacity of 2,545 MWs, pursuant to the Independent Power Producer Administration (IPPA) agreements with Power Sector Assets and Liabilities Management Corporation (PSALM) and National Power Corporation of the Philippines (NPC). As of December 31, 2013, SMC was one of the largest IPPAs in the Philippines and held

a 22% market share of the total installed power generation capacity for the Luzon power grid and a 17% market share of the national grid according to the Energy Regulatory Commission of the Philippines. The energy business is conducted through SMC Global Power Holdings Corp. (SMC Global).

SMC Global began acting as IPPA of the Sual power plant in November 2009, the San Roque power plant in January 2010 and the Ilijan power plant in June 2010. SMC Global sells power through off take agreements either directly to customers, including the Manila Electric Company and other distribution utilities, electric cooperatives and industrial customers, or through the Philippine Wholesale Electricity Spot Market.

In September 2013, SMC Powergen Inc., a subsidiary of SMC Global, acquired the co-generation plant of Petron located in Limay, Bataan. The plant added an initial 70MW to the total capacity of SMC Global of 2,615 MW. Another 70 MW unit is expected to be commercially available by the second half of 2014.

In 2013, San Miguel Consolidated Power Corporation broke ground the new 300 MW coal-fired power plant in Malita, Davao and SMC Consolidated Power Corporation the new 300 MW coal-fired power plant in Limay, Bataan. These power plants are expected to be commercially available by 2016.

In September 2013, SMC Global was awarded the winning concessionaire for the rehabilitation, operation and maintenance of Albay Electric Cooperative, located in Albay province. A new subsidiary, Albay Power and Energy Corp. was created for this purpose.

### ***Fuel and Oil***

SMC operates its fuel and oil business through Petron, in which SMC holds an aggregate of 68.26% interest. The core business of Petron involves refining of crude oil and marketing and distribution of refined petroleum products mainly for the Philippine market and Malaysia. Petron is the largest integrated oil refining and marketing company in the Philippines, with an overall market share of about 36.9% of the Philippine oil market in terms of sales volume as of June 2013 based on industry data from the Department of Energy. Petron had a 16.3% share of the Malaysian retail market as of December 31, 2013, based on company estimates and information from Metrix Research Sdn. Bhd., the market research consultant appointed by Malaysian retail market participants to compile industry data.

Petron owns and manages the most extensive oil distribution infrastructure in the Philippines with more than 30 depots, terminals and airport installations and close to 2,200 retail service stations in the Philippines. Petron also exports various petroleum products and petrochemical feedstock, including naphtha, mixed xylene, benzene, toluene and propylene, to customers in the Asia-Pacific region.

### ***Infrastructure***

The infrastructure business of SMC, conducted through San Miguel Holdings Corp. (SMHC), consists of investments in companies which hold long-term concessions in the infrastructure sector in the Philippines. Current projects include the Tarlac- Pangasinan-La Union Expressway (TPLEX), Boracay Airport, Southern Tagalog Arterial Road Project (STAR Tollway), Ninoy Aquino International Airport (NAIA) Expressway and MRT-7 Light Rail and Road Project (MRT-7).

## *TPLEX*

SMHC, through its subsidiary, Rapid Thoroughfares, Inc. (Rapid) owns 45% equity interest in Private Infra Dev Corporation (PIDC). PIDC is undertaking the construction, under a 35-year Build-Operate-Transfer (BOT) arrangement, of an 88.58 kilometer (km) two-lane toll expressway from Tarlac, through Pangasinan to La Union, north of Manila. The TPLEX expressway is expected to be integrated with other major expressways (including the North Luzon Expressway (NLEX) and Subic-Clark-Tarlac Expressway (SCTEX) to expand the road/expressway network in and around Metro Manila by 325 kilometers. Construction commenced on the expressway in October 2010. Several sections of TPLEX (sections 1 and 2) will be constructed on a 2x2 lanes basis. The Tarlac to Paniqui section in particular has been constructed as such and Section 3 will basically be retained as a 2 lane expressway. TPLEX is proposed to be connected to the SCTEX in Tarlac. The Tarlac to Paniqui section was inaugurated and opened to the public on December 23, 2013. The entire project is projected to be completed by December 2015. SMHC, through Rapid, controls PIDC and consolidated PIDC effective December 27, 2013.

## *Boracay Airport*

SMC, through its 99.72% interest of SMHC in Trans Aire Development Holdings Corp., is undertaking the expansion of Boracay Airport under a 25-year build-rehabilitate-operate-transfer concession granted by the Republic of the Philippines, through the Department of Transportation and Communications.

The planned expansion of the airport is expected to be completed in a number of stages and involves the rehabilitation of the existing terminal, extension of the runway and the construction of a new international terminal.

## *MRT-7*

In October 2010, SMC through SMHC, acquired a 51% stake in Universal LRT Corporation (BVI) Limited (ULC), which holds the BOT concession for MRT-7, a planned expansion of Manila's metro rail system. MRT-7 is one of several rail extension projects to the existing metro rail system which services Metro Manila. It includes a 22 km six-lane asphalt highway that will connect the North Luzon Expressway to the intermodal transport terminal in San Jose del Monte City, Bulacan and a 22 km mostly elevated MRT with 14 stations that will start from San Jose del Monte City and end at the integrated LRT-1 / MRT-3 / MRT-7 station at North EDSA. ULC will operate and manage the system on behalf of the Philippine government for 25 years while gradually transferring ownership of the system to the Philippine government in proportion to payments of semi-annual capacity fees.

## *SLEX and Skyway*

SMHC has acquired 46.53% stake in Atlantic Aurum Investments BV (Atlantic), a company which has obtained ownership of the following: (i) 80.0% stake in South Luzon Tollway Corporation, which holds a 30-year concession (valid until 2035) to operate the 36 km SLEX, one of the three major expressways that link Metro Manila to key southern provinces and (ii) 87.84% beneficial ownership in Citra Metro Manila Tollways Corporation (CMMTC), through Atlantic's wholly-owned subsidiary, Atlantic Aurum Investments Philippines Corporation, which holds a 25-year concession to construct, operate and maintain the 16.38-kilometer (Stages 1 and 2) South Metro Manila Skyway Project. SMHC's effective interest in CMMTC (thru Atlantic) is currently at 40.845%.

SMHC has a 60% equity interest in Alloy Manila Toll Expressways Inc. (AMTEX) which has a 30% interest in Manila Toll Expressway Systems, Inc. (MATES). MATES is the operating and maintenance company for the SLEX. SMHC also has an additional effective equity interest of 19.54% via MTD Manila which has a 30% direct ownership in MATES and a 40% equity in AMTEX. MTD Manila is owned by SMHC thru Atlantic. Thus total effective SMHC equity in MATES is 37.54%.

SMHC has a 100% equity interest in Terramino Holdings Inc. which has a 100% interest in Asset Values Holding Company Inc (AVHCI). AVHCI has an equity interest of 15.43% in Skyway O&M Corporation.

#### *STAR Tollway*

SMHC has acquired 58.31% membership interest in Sleep International (Netherlands) Cooperatief U.A. (Sleep) and 50% of the outstanding capital stock of Wiselink Investment Holdings, Inc. (Wiselink). Sleep was incorporated under the laws of the Netherlands. Sleep has 40% equity interest in Cypress Tree Capital Investments, Inc. (Cypress). Wiselink, a holding company, has a 60% equity interest in Cypress. Cypress owns 100% of Star Infrastructure Development Corporation (SIDC) and 60% of Star Tollway Corporation (STC), with the remaining 40% indirectly owned by Cypress through SIDC. The Cypress Group holds the toll road concession rights of the STAR Project representing the following: (1) Stage 1 - operation and maintenance of the 22.16-kilometer toll road from Sto. Tomas to Lipa City; and (2) Stage 2 - financing, design, construction, operation and maintenance of the 19.74-kilometer toll road from Lipa City to Batangas City.

#### *NAIA Expressway*

On May 31, 2013, SMHC incorporated Vertex Tollway Devt. Inc., a special-purpose company that is undertaking the construction of the NAIA Expressway – a 4-lane, 6 km elevated expressway and 2.2 km at-grade feeder road that will provide access to NAIA 1, 2 and 3 and links the Skyway, the Manila-Cavite Toll Expressway and the Entertainment City of the Philippine Amusement and Gaming Corporation, under a 30 - year build-transfer-operate concession.

#### *North Harbor*

SMC, through Petron, has a 35.0% interest in Manila North Harbor Port Inc., which Petron purchased from Harbour Centre Port Terminal, Inc. in January 2011. The Manila North Harbor is undergoing rehabilitation and modernization which include construction of a new passenger terminal, upgrade of the passenger terminal facilities, rehabilitation of the piers, development of berth facilities and construction of support facilities for cargo handling operations. The new passenger terminal, which includes the passenger building, ticketing office and parking area, has recently been completed and opened to passengers.

#### **Telecommunications**

In 2010, SMC through its subsidiary, Vega Telecom, Inc. (Vega), owns 41.48% stake in Liberty Telecoms Holdings, Inc., a telecommunications carrier listed on the PSE, offering telephone services nationwide as well as data communications, inter-exchange carrier services and international voice and data connectivity services.

Also, in 2010, Vega subscribed to shares of stock equivalent to 100% of Two Cassandra-CCI Conglomerates, Inc., Power Smart Capital Limited., and Perchpoint Holdings, Corp. that collectively owns 100% of Bell Telecommunication Philippines, Inc. (BellTel).

BellTel, which began commercial operations in 2002, offers an integrated package of services, including local and long distance telephony, high speed data connectivity, Internet, cable TV, and videoconferencing. It has various licenses that include local exchange carrier (LEC), international gateway facility (IGF), inter-exchange carrier (IXC), very small aperture terminal (VSAT), internet service provider (ISP), and wireless local loop (WLL) telephone systems in various cities and municipalities in national capital region. It is authorized to provide the full range of services throughout the Philippines.

In 2010, SMC, through Vega, acquired 100% of the outstanding and issued shares of stock of AGNP, the beneficial owner of approximately 40% of Eastern Telecommunications Philippines, Inc. (ETPI), inclusive of the existing businesses, investments and telecommunications service facilities of ETPI. On October 20, 2011, the SMC through its wholly-owned subsidiary, San Miguel Equity Securities Inc., acquired an additional 37.7% of the outstanding and issued shares of stock of ETPI bringing its total indirect equity interest in ETPI to 77.7%.

ETPI, which was established more than 130 years ago, offers a full range of telecommunication services, including internet, data, voice and value added services such as transmission of voice, data, facsimile, control signs, audio and video. It has various licenses that include local exchange carrier (LEC), mobile, cellular, paging, fiber optic, multi-channel distribution system (MMDS), local multi-point distribution system (LMDS), satellite transmit and receive systems, switches, and their value-added services. ETPI is a provider of voice, data and internet services to the business process outsourcing market.

### ***Airlines***

SMC, through San Miguel Equity Investments Inc., owns a 49% equity interest in each of Trustmark Holdings Corporation and Zuma Holdings and Management Corporation, the holding companies of Philippine Airlines (PAL) (through PAL Holdings, Inc.) and Air Philippines Corporation (APC), respectively. The investment provides an opportunity for SMC to diversify into an industry which has synergies with the existing businesses of SMC. Such investment will likewise augment and supplement the ongoing enhancement of the operations of PAL and APC, and the implementation of the fleet modernization programs with the end in view of enhancing the efficiency, competitiveness and profitability of PAL and APC.

### ***Mining***

SMC, through San Miguel Energy Corporation, owns 100.0% interest in the concession holders namely Daguma Agro-Minerals, Inc., Bonanza Energy Resources, Inc. and Sultan Energy Phils. Corp., each of which are engaged in coal mining exploration activities in Mindanao. SMC also has a 3.99% interest in Indophil Resources NL, which indirectly holds a 15.0% interest in an entity with rights to explore, develop, and operate the Tampakan gold and copper project.

### ***Banking***

SMC, through SMPI, currently holds approximately 39.9% of the Bank of Commerce, a commercial bank licensed to engage in banking operations in the Philippines.

## **CLARIDEN HOLDINGS, INC.**

The Parent Company, through Clariden, holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden's various subsidiaries, include: (i) Mineral Production Sharing Agreements (MPSAs) for the Nonoc Nickel Project, Mt. Cadig Nickel Project and Lo-oc Limestone Project, (ii) Exploration Permits (EPs) for certain areas under the Bango Gold Project, and (iii) pending Application for Production Sharing Agreement (APSA) and pending Exploration Permit Applications (EXPA) for other areas of the Bango Gold Project. A subsidiary of Clariden was also chosen as the contractor under a Joint Operating Agreement to be executed for the North Davao Project.

Clariden's exploration and mining projects are:

### ***Nonoc Nickel Project***

Clariden, through its indirect beneficial ownership in Philnico Industrial Corporation (PIC), Pacific Nickel Philippines, Inc. (PNPI), and Philnico Processing Corp. (PPC), holds mining rights over an area of approximately 23,877 hectares located in the islands of Nonoc, Hanigad, and

Awasan, Surigao City; and Basilisa and Cagdianao, Dinagat Island Province, within Parcel II and Parcel III of the Surigao Mineral Reservation under MPSA No. 072-97-XIII (SMR), expiring in 2022. The original MPSA area of approximately 25,000 hectares was reduced as a result of the exclusion from the MPSA and reclassification of 106.473 hectares for the establishment of a Special Economic Zone in 1999 and 1,016.9113 hectares as alienable and disposable land in 2004.

*Amended and Restated Definitive Agreement and Related Agreements.* In 1996, PIC (formerly the Philnico Mining and Industrial Corporation) acquired 90% of the shares of stock and certain receivables of the Republic of the Philippines (ROP) in PPC (formerly, the Nonoc Mining and Industrial Corporation) through an Amended and Restated Definitive Agreement (ARDA) with the ROP, acting through the Asset Privatization Trust (now the Privatization and Management Office or PMO), executed on May 10, 1996, as supplemented and amended on May 2, 1997 and September 27, 1999, respectively.

Under the ARDA, the purchase price shall be payable on an installment basis in accordance with the payment schedule stipulated therein. Further, the ARDA provides that the installment payable on a large portion of the purchase price shall consider the average London Metal Exchange (LME) price of nickel which should be higher than PNPI's break-even price for the period. This is in recognition of the need to put the nickel plant in operation before compliance with the payment schedule may be enforced. As security for the payment of the purchase price, PIC pledged the subject PPC shares to the ROP. The ARDA contains a provision that in case of default in the payment of the purchase price in accordance with the terms thereof, the title to the PPC shares shall *ipso facto* revert to the ROP. In 2003, PIC filed a case to enjoin PMO from enforcing the said automatic reversion provision and requesting the court to fix the period for payment and performance by PIC of its obligations under the ARDA.

*MPSA No. 072-97-XIII (SMR).* The ROP and PIC entered into an MPSA which was approved on January 20, 1995 by the President of the Philippines pursuant to Executive Order No. 279 (1987) as implemented by DENR Administrative Order (DAO) Nos. 57 (1989) and 82 (1990). The said MPSA was thereafter revoked but subsequently reinstated and approved by the President in September 1996 after the execution of the ARDA.

In May 1997, PIC assigned its rights and obligations under the MPSA to PNPI and PNPI, in turn, assigned all mineral processing rights under the MPSA in favor of PPC. As a result of the assignment, PNPI holds exclusive rights to explore, develop, mine, and commercially utilize nickel, cobalt, chrome, iron and other mineral deposits within the contract area for a period of 25 years, renewable for another 25 years. On the other hand, PPC holds exclusive rights with respect to the processing of minerals and resources under the MPSA issued by the DENR.

The MPSA further provides that the ROP share shall be the excise taxes on the mineral products at the time of its removal and at the rate provided for in Republic Act No. 7729 amending Section 151(A) of the National Internal Revenue Code (NIRC), as amended, in addition to a royalty fee of not less than 5% of the market value of the gross output exclusive of all other taxes. If minerals, other than nickel and cobalt are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal minerals in computing the share of the ROP.

On August 7, 1997, the MPSA was amended to conform to Republic Act No. 7942, otherwise known as the Mining Act of 1995, and DAO No. 96-40.

PNPI has submitted to the MGB an application for an additional 2-Year exploration period under the MPSA to further explore the nickel deposit and is currently awaiting MGB approval. Other ongoing work includes pre-exploration activities and preparations for the rehabilitation of some mine site facilities to support the planned exploration program. In this regard, PNPI is planning to conduct exploratory core drilling and sampling of nickel laterite in the contract area. PNPI has also engaged the services of a third party consultant to review the Bankable Feasibility Study and

conduct an Options Study for Plant Development. Certain continuing activities in compliance with mandatory requirements under the MPSA and mining regulations such as the Environmental Protection and Enhancement Program and Social Development and Management Program are also being implemented.

*Resources.* The primary mineral resource within the MPSA area is nickel. Secondary resources not fully quantified but now considered commercially saleable are: (i) overburden (materials overlying the nickel deposit previously considered as waste or of no value but with the advent of new technology and favorable nickel prices has become economic) which can be marketed as direct shipping ore; and (ii) iron tailings generated by previous nickel processing operations and can be marketed on an as is, where is basis or upgraded to at least 60% iron.

*Special Economic Zone.* On May 1, 1999, PIC and the City of Surigao entered into a Memorandum of Agreement in relation to a proposed plan of establishing, developing, and operating a Special Economic Zone (Ecozone) in a 106-hectare portion of Nonoc Island, Surigao City (the Property), which area is covered by the MPSA.

Under the Memorandum of Agreement, the City of Surigao agreed to cause the reclassification of the Property from mineral to agricultural land and thereafter lease the same to PIC for the establishment of the Ecozone. PIC, in turn, agreed to cause the conditional release of the Property from the coverage of the MPSA to enable the City of Surigao to acquire the Property from the ROP, without prejudice to the ownership over the existing facilities and infrastructures on the Property.

Subsequently, Proclamation No. 172 and Presidential Proclamation No. 192 were issued excluding the Property from the Surigao Mineral Reservation, declaring it open for disposition, and creating the Ecozone with an initial area of 106.473 hectares. On December 10, 1999, the ROP and the City of Surigao executed a Deed of Donation by virtue of which the ROP donated the Property to the City of Surigao to enable it to host the Ecozone to be developed and operated by PIC.

Pursuant to the Memorandum of Agreement, the lease contract between the City of Surigao and PIC was executed on September 21, 1999 and took effect on December 10, 1999, for an initial period of 25 years, renewable for another 25 years at the option of PIC. The lease contract provides that the payment of the stipulated rental shall only start after 2 years from the execution of the contract or after the commissioning of the Nonoc Nickel Refinery, whichever comes later. To date, the intended new High Pressure Acid Leach Nickel Refinery Plant to replace the current obsolete ammonia acid leach plant has yet to be established.

In July 2013, PIC and PNPI filed a case to enjoin the actions of the Mayor of Surigao City in threatening to take over the Property.

*Operating Agreement with Shuley Mine, Incorporated.* On April 27, 2009, PNPI entered into a Mines Operating Agreement with Shuley Mine, Incorporated. (SMI) whereby SMI agreed to undertake the extraction, hauling, shipment and marketing of nickel ore within a designated 1,174-hectare area under the MPSA for an initial period of 48 months and renewable for another 48 months upon mutual agreement by the parties. The agreement was registered with the MGB Regional Office No. XIII on June 2, 2009 and approved by the MGB Central Office on July 23, 2009 with the condition that mining operations can only commence once PNPI has filed and secured approval of the Declaration of Mining Project Feasibility (DMPF) covering the area subject of the agreement. The Partial DMPF was approved by the MGB Central Office on April 8, 2010.

On September 29, 2009, the parties entered into a Supplemental Agreement, whereby the parties agreed to expand the coverage of the Mines Operating Agreement to include, among others: (i) all mining activities such as exploration, expansion of stockyard, and extraction from in situ, run of mine, and tailings, and (ii) mining and extraction of all other nickel grades except nickel

ore between 1.0% to 1.4% nickel grade which shall remain under PNPI's ownership, with their corresponding royalty rates computed as an increasing amount per unit volume based on the grades of nickel ore subject to an escalation based on the LME price of nickel. Under the Supplemental Agreement, the parties agreed that the effectivity of the Mines Operating Agreement starts on the date the Partial DMPF was approved by the MGB. On March 16, 2011, the parties amended the Mines Operating Agreement to provide for the payment by SMI of the Value Added Tax on the royalty fee.

In April 2013, SMI filed a case to enjoin PNPI from stopping the mining, shipping and other operations of SMI under the Mines Operating Agreement.

### ***Mt. Cadig Nickel Project***

*MPSA No. 346-2010-IVA.* Clariden, through V.I.L. Mines, Incorporated (a wholly-owned subsidiary of Clariden) has the exclusive right to conduct mining operations within 11,126.3576 hectares of land located in Tagkawayan, Quezon and Labo and Sta. Elena, Camarines Norte pursuant to MPSA No. 346-2010-IVA executed on June 25, 2010 between the ROP and VMI. The MPSA has a term of 25 years from the effective date and renewable for another term not exceeding 25 years. The primary purpose of the MPSA is to provide for the rational exploration, development and commercial utilization of nickel and other associated mineral deposits existing in the contract area with all the necessary services, technology and financing to be furnished and arranged for by VMI.

The share of the ROP under the MPSA consists of an excise tax on mineral products at the time of removal and at a rate provided for in Republic Act No. 7729 amending Section 151(a) of the NIRC as amended as well as other taxes, duties and fees levied by existing laws. If minerals, other than nickel and other associated mineral deposits are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of the Government. Other government fees include the registration fee and occupation fee.

*Resources.* Mineral resources within the contract area, based on VMI's exploration drilling activities, are believed to comprise nickel and iron.

As of December 31, 2013, VMI is awaiting MGB's approval of the renewal of the exploration period of the MPSA.

### ***Lo-oc Limestone Project***

*MPSA No. 059-96-VII and MPSA No. 060-96-VII.* Clariden, through South Western Cement Corporation (SWCC) has the exclusive right to conduct mining operations in 306.46 hectares of land and 505.7929 hectares of land both located in Lo-oc, Malabuyoc, Cebu pursuant to MPSA No. 059-96-VII and MPSA No. 060-96-VII, both executed on November 18, 1996 between the ROP and Lo-oc Limestone and Development Corporation (LLDC). LLDC subsequently assigned its rights, title and interest in and to the MPSAs to SWCC, which assignment was approved by the MGB on September 24, 1997.

The primary purpose of these MPSAs is to provide for the exploration, sustainable development and commercial utilization of limestone and other mineral deposits existing in the contract area, with all the necessary services, technology and financing to be provided by SWCC. The MPSAs have a term of 25 years from effective date, renewable for another 25 years.

The share of the ROP consists of an excise tax on mineral products as provided for in Republic Act No. 7729 amending Section 151(a) of the NIRC as amended. If minerals, other than limestone are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of the ROP.

Currently, preparations are being done for the conduct of an exploration drilling program scheduled starting 2014 to increase the mineral resource base.

### ***Bango Gold Project***

Clariden, through Prima Lumina Gold Mining Corp. (Prima Lumina) is the assignee of Exploration Permit Nos. 000001-2011-XI and 000002-2011-XI covering certain areas of Compostela Valley and Davao Oriental, immediately south of the Diwalwal Gold Rush Area. These EPs allow Prima Lumina to conduct prospecting and exploration for mineral resources by geological or geophysical surveys, test pitting, trenching, drilling or any other means for the purpose of determining the existence, extent, quantity and quality of the mineral resources and the feasibility of mining them economically.

The EPs were both approved in April 2011 with a term of 2 years, renewable for like periods but not to exceed a total term of 6 years. EP No. 000001-2011- XI covers 9,997.53 hectares in the Barangays of Ngan, Panalsalan, Pagsabangan and Mangayon, Municipality of Compostela, Barangay Naboc, Municipality of Monkayo, Province of Compostela Valley, and Barangay Aliwagwag, Municipality of Cateel, Province of Davao Oriental. EP 000002-2011-XI covers 2,416.91 hectares in Barangay Ngan, Compostela and Barangay San Miguel, Municipality of New Bataan, Province of Compostela Valley; and Barangay Aliwagwag, Municipality of Cateel, Province of Davao Oriental.

*Resources.* Mineral resources in these areas, based on exploration activities undertaken under the EPs, are believed to include gold, copper, silver and other associated minerals.

Upon application by Prima Lumina and approval of the relevant regulatory agencies, these EPs may subsequently be converted into MPSAs or other appropriate mining tenements.

As of December 31, 2013, Prima Lumina is awaiting MGB's approval of its application for the renewal of the EPs which expired on April 2013. Prima Lumina engaged the services of a third party contractor to conduct exploratory core drilling in the areas covered by the EPs. Preparatory activities prior to drilling such as geohazard mapping, reconnaissance exploration activities and the location of proposed drill holes are ongoing. Continuing consultations with host communities are also being done. An exploration drilling program will be conducted once the EPs are renewed.

*APSA No. 0000077-XI and EXPA No. 000242-XI.* In 2013, Clariden, through its subsidiary Prima Lumina, entered into an agreement to acquire approximately 71.73% of the shares of stock in Mina Del Oriente, Inc. (Mina Del Oriente). Mina Del Oriente has a pending application for MPSA denominated as APSA No. 0000077-XI and a pending application of an Exploration Permit denominated as EXPA No. 000242-XI, both filed on June 30, 1994 and covering an area of about 7,203.02 hectares and 2,116.79 hectares, respectively, in Compostela Valley.

Mina Del Oriente also entered into Memoranda of Agreement with the Indigenous Cultural Communities of Monkayo and Compostela, Compostela Valley Province, which agreements were registered with the MGB on June 29, 2011.

### ***North Davao Project.***

*Joint Operating Agreement with Philippine Mining Development Corporation.* In 2009, Asia-Alliance Mining Resources Corp. (Asia-Alliance) was chosen by the Philippine Mining Development Corporation (PMDC) to undertake the exploration, development, and mining operation of the North Davao Mining Property under a Joint Operation Agreement to be executed between the parties. Asia-Alliance subsequently filed a case with the Pasig Regional Trial Court to compel the PMDC to execute the Joint Operating Agreement with terms and conditions that are consistent with the Terms of Reference during the public bidding stage.

*Resources.* Mineral resources are believed to comprise gold, copper and associated minerals.

### ***Dinagat Nickel-Chromite Project***

On January 24, 2006, PPC and the Philippine Mining Development Corporation (hereinafter, the PMDC) (formerly the National Resources Mining Development Corporation) entered into a Joint Operating Agreement designating PPC as the project contractor exclusively authorized to explore, develop, and commercially utilize existing mineral deposits within a 3,600 hectare area in the municipalities of Cagdianao and Basilisa in Dinagat Island, Surigao del Norte, adjacent to MPSA No. 072-97-X (SMR), for a period of 25 years from effective date renewable for another 25 years. On June 21, 2007, PPC assigned its rights, interests, and obligations under the Joint Operating Agreement to PNPI.

Under the Joint Operating Agreement, the sharing scheme between PMDC and the contractor shall be 71%-29%, respectively, based on the net cash income (before taxes). In addition, PPC shall pay the Government, through the PMDC, a royalty in the amount equivalent to 5% of the gross sales of the minerals/mineral products, as well as other taxes, duties, and fees levied by existing laws, national or local. If minerals other than nickel and other associated mineral deposits are discovered in commercial quantities in the contract area, the value thereof shall be added to the value of the principal mineral in computing the share of PMDC.

The principal mineral resources within the Dinagat concession area are nickel and chromite. As of December 31, 2013, the development and operation of the mine and mineral processing facilities have been delayed due to insufficient mineable resources/reserves delineated by PNPI that can support mining and processing operations as provided in the Joint Operating Agreement. Additional exploration is required to increase the current resources in the area. Discussions between PNPI and PMDC to renegotiate the sharing scheme under the Joint Operating Agreement are ongoing.

### ***Prospective Projects***

In the ordinary course of its business, Clariden considers and evaluates various mining opportunities. In connection with its evaluation of prospective mining projects, airborne magnetic and radiometric surveys are being undertaken over certain areas located in the provinces of North Cotabato, Sultan Kudarat, Davao del Sur and Sarangani, Mindanao Island.

As of December 31, 2013, projects being considered include the following:

*Mindoro Iron Exploration Project.* The project has an existing Financial or Technical Assistance Agreement (FTAA) under the name of Agusan Petroleum and Mineral Corporation (APMC) executed on October 16, 2008 and registered with the MGB on October 29, 2008. The primary purpose of the FTAA is to provide for the large-scale exploration, development, and commercial utilization of minerals within the contract area with all the necessary technology, management, financing and personnel to be provided or arranged by APMC. The FTAA grants APMC the exclusive right to explore, mine, utilize, process, refine market, transport, export and dispose of minerals and mineral products and by-products that may be derived or produced from the contract area comprised of 46,050.6483 hectares located in Baco, San Teodoro and Puerto Galera, Oriental Mindoro and Mamburao and Abra de Ilog, Occidental Mindoro. The mineral commodities in the area are nickel and iron.

*Davao del Sur Exploration Project.* Projects in Davao del Sur are covered by pending applications for EP, denominated as EXPA No.000097-XI filed on October 29, 1998, covering 6,971.82 hectares of land located in Malita and Sta. Maria Davao del Sur; EXPA No. 000171-XI filed on June 21, 2007, covering 16,009.81 hectares of land located in Malita, Davao del Sur and Malungon and Anabel, Sarangani Province; EXPA No. 000172-XI filed on June 21, 2007 covering

16,054 hectares of land located in Sta. Maria, Malalag and Malita, Davao Del Sur; EXPA No. 000173-XI filed on June 22, 2007 covering 16,211.1 hectares of land situated in Malita and Sta. Maria, Davao Del Sur; EXPA No. 000174-XI filed on June 25, 2007 covering 16,054.09 hectares of land situated in Malita and Don Marcelino, Davao Del Sur; EXPA No.00176-XI filed on June 25, 2007 covering 16,357.96 hectares of land situated in Malita, Malalag and Sta. Maria, Davao del Sur; and EXPA No. 00175-XI filed on June 25, 2007 covering 16,146.32 hectares of land situated in Malita and Don Marcelino, Davao del Sur. The mineral commodities applied for are gold, copper and associated minerals.

*Sultan Kudarat and North Cotabato Exploration Project.* The projects currently have pending applications for EP, denominated as EXPA No. 000070-XII-2007 covering 16,200 hectares of land situated in the Municipality of Columbio, Province of Sultan Kudarat and in the Municipality of Tulunan, North Cotabato; and EXPA No.000071-XII-2007 covering 15,950 hectares of land situated in the Municipality of Columbio, Province of Sultan Kudarat. Both applications were filed on April 16, 2007. The mineral commodities applied for are copper, gold, precious and base metals and other minerals.

*Compostela Valley Exploration Project.* These comprise of projects with pending applications for EP, denominated as EXPA Nos. 000210-XI filed on May 2008 and 000214-XI filed on June 2008 which cover 81 hectares of land and 169.5 hectares of land respectively. The mineral commodity applied for in these areas is gold. Another project has a pending application for MPSA, denominated as APSA No. 0001-XI filed on February 1991, covering 254.2 hectares of land situated in Ngan, Compostela Valley. Gold is the mineral commodity applied for.

*Ilocos Norte Limestone Project.* Ilocos Norte Mining Corp., Inc. is the assignee of MPSA No. 068-97-1 approved on June 6, 1997 covering a 1,284.5077 hectare contract area located in Batac, Espiritu, Nueva Era nd Pinili, Ilocos Norte.

#### *Principal products or services*

Top Frontier is primarily established as a holding company with investments in SMC and Clariden. As a holding company, Top Frontier provides no other products or services.

The principal products of the SMC Group are attached hereto as **Annex “A”**.

#### *Percentage of sales or revenues and net income contributed by foreign sales*

The Group's 2013 foreign operations contributed about 27.9% of consolidated sales and (8.06%) of consolidated net income. Foreign sales is broken down by market as follows:

<b>Market</b>	<b>% to Consolidated Sales 2013</b>
Malaysia	23.51
Indonesia	0.98
China	0.80
Vietnam	0.44
Others	2.17

#### *Distribution Methods*

The Group employs various means to ensure product availability at all times. It distributes through a network of dealers, wholesalers, and various retailers. The Group owns, as well as contracts, third party fleet of trucks, delivery vans, and barges, to ensure timely and cost efficient distribution of its various products, from beverages, food and packaging.

#### *Status of any publicly-announced new product or service*

The Group has no new major products being developed.

#### *Competition*

With the strong financial position of the Group, it owns the leading brands with the highest quality in the industry. In addition, the Group has implemented successful pricing strategies which resulted in substantial market share leads over its nearest competitors. The major competitors of the diversified businesses of the Group are set forth below.

#### **San Miguel Brewery Inc.**

SMB faces competition in the Philippine market from Asia Brewery Inc. (ABI), which sells both its own brand and foreign brands it produces under license from foreign brewers. It operates two breweries and holds the license for *Coors* beer in the Philippines.

ABI is also the exclusive distributor of *Asahi Super Dry* in the country. ABI competes, mainly on the basis of price, through its own *Beer na Beer* and *Colt 45* brands. ABI also competes with SMB's market-leading high-alcohol beer product, *Red Horse*, with its licensed *Colt 45*, *Manila Beer* and recently, *Tanduay Ice*, an alcopop product which competes with *San Mig Light* and *San Miguel Flavored Beer*.

Competition from imported beers is minimal. Imported beer comprises a small proportion of the market as these products are primarily found in upscale hotels, bars, restaurants and supermarkets in Metro Manila.

SMB also competes with producers of other alcoholic beverages, primarily gin, rum, brandy, and recently, alcopops which are close substitutes to beer. In the beer industry — and more generally the alcoholic beverage industry — competitive factors generally include price, product quality, brand awareness and loyalty, distribution coverage, and the ability to respond effectively to shifting consumer tastes and preferences. SMB believes that its market leadership, size and scale of operations, and extensive distribution network in the Philippines create high entry barriers and provide SMB with a competitive advantage in the Philippines.

In its main international markets, SMB contends with both foreign and local beer brands, such as *Blue Girl* (Hong Kong), *Carlsberg* (Hong Kong, Thailand), *Heineken* (Hong Kong, South China, Thailand, Vietnam and Indonesia), *Tsingtao* (Hong Kong, China), *Yanjing* (China), *Tiger* (Thailand, Vietnam and Indonesia), *Guinness* (Hong Kong and Indonesia), *Bintang* (Indonesia), *Budweiser* and *Snow* (China), *Singha* and *Asahi* (Thailand), and *Saigon Beer* (Vietnam).

#### **Ginebra San Miguel, Inc.**

##### *Alcoholic Beverages*

Most products of GSMI target the popular and economy market segments. The major competitors of GSMI in these segments include Emperador Distillers Inc. and Tanduay Distillers, Inc.

##### *Non-alcoholic Beverages*

Major competitors for San Miguel's non-alcoholic beverage products include carbonated beverage manufacturers, such as The Coca-Cola Company, Pepsi-Cola Products Philippines, Asiawide Refreshments Corporation, ABI and non-carbonated beverage manufacturers such as Universal Robina Corporation (URC), Del Monte Philippines and Nestle Philippines.

## **San Miguel Pure Foods Company, Inc.**

SMPFC is one of the leaders in the local food manufacturing industry with a reputation for quality and a portfolio of well-recognized brands.

It is estimated that SMFI's Feeds business accounts for more than one-third of the total commercial feeds industry sales volume and competes with other major industry players such as Univet Nutrition and Animal Healthcare Co., URC, Pilmico, New Hope, Charoen Pokphand Foods and Tateh, as well as with numerous regional feed mill companies and local feed millers. The Feeds milling industry is a commodity-based industry with most of its major raw materials consisting of commodities such as corn, soybean meal and feed wheat. Since most feed millers use imported major raw materials, the industry is affected by foreign exchange fluctuations. The industry derives its sales mainly from hog and broiler producers. Majority of local industry players have evolved from merely selling feeds products to offering total value service packages to customers such as technical services and after-harvest payment schemes. In terms of product promotion, some market players aggressively invest in various types of visibility campaigns, the most popular of which is through tri-media placements.

SMFI's Poultry business is a major player in its industry group and competes with integrators such as Bounty Fresh Foods, Inc./Bounty Agro Ventures, Inc., Cobb Vantress Philippines, Inc., URC and other independent commercial growers. The poultry industry has commodity characteristics and is subject to frequent changes in demand and supply. Most of the major integrated producers employ contract-growing schemes for the production of live broilers and have likewise engaged in contract breeding and toll dressing arrangements. Major industry players have taken advantage of the growing popularity of the digital medium, thus, the use of social networking sites as alternative in promoting their products. SMFI Poultry's competitive advantage lies in the areas of breed management, growing efficiencies, sales and distribution network, and customer care. By the end of 2013, there were 910 Magnolia Chicken Stations nationwide serving the Poultry business' exclusive retail outlets.

SMFI's Fresh Meats business is a major player in the highly fragmented domestic pork and beef markets, and its main competitors are Robina Farms and Foremost Farms. It also competes with several other commercial-scale and numerous small-scale hog farms that supply live hogs and cattle to traders, who, in turn supply hog and cattle carcasses to wet markets and supermarkets. While the majority of fresh meat sales in the Philippines are in the more traditional, outdoor wet markets, supermarkets selling their own house-brand products are its main competition. Since fresh meats are regarded as commodity products, industry performance greatly depends on the law of supply and demand. Backyard players largely dominate the unbranded fresh meats segment while SMFI's Fresh Meats business, carrying the "Monterey" brand, accounts for a larger share in the branded segment. SMFI Fresh Meats business competes on quality, distribution network and customer service. As of December 31, 2013, Monterey has 589 meat shops nationwide distributing quality meats to consumers.

SMMI's Flour business belongs to a highly commoditized industry sensitive to price movements and that is generally characterized by low brand loyalty. SMMI owns the largest market share in the industry and competes on the basis of price, quality, customer service and distribution. Main competitors are Philippine Foremost Milling, Pilmico Foods Corporation and URC. Other players in the industry are GMC, Wellington Flour Mills, RFM Corporation (RFM), Morning Star, Liberty Flour Mills, Philippine Flour Mill, Delta and Monde Nissin. Competition within the industry is intense due to the prevailing excess capacity and the presence of lower-priced imported flour. Growth drivers of the industry are population growth, demand for bread and other flour-based products, growth of the bakery sector and home baking. Although price is the main purchasing consideration, the quality of products and services offered cannot be discounted in acquiring customer patronage. Flour continues to be more of an intermediary product used as a raw material rather than a consumer product.

The Processed Meats business under PF-Hormel remains the dominant player in the hotdogs and whole hams categories, as well as in the premium segment of corned beef category. PF-Hormel competes on quality, product innovation, distribution network and customer service. Competitors and competing brands in the value-added or processed meats business include Foodsphere, Inc. (CDO), Virginia Foods, Inc. (Winner and Champion), RFM (Swift), Meken Food Corporation (Meken), Pacific Meats Company, Inc. (Argentina and 555), Frabelle Corporation (Frabelle Foods) and the distributors of Maling. To maintain its leadership position and to address increased competition from both established local players, which are employing aggressive pricing and promotion schemes, and from new entrants to the market, PF-Hormel has responded by maintaining high product quality, continuing innovation, increasing advertising and promotions, and forming strategic alliances with institutional clients such as theme parks, events venues and schools. Out-of-home consumption, a growing consumer preference for ready-to-eat meals, preference for smaller SKUs and mid-priced brands, and the growing demand for healthy products are emerging industry trends.

Magnolia offers a wide array of products to Filipino consumers and its Magnolia brand is recognized as one of the most trusted brands in the country. It competes in various categories, which include bread spreads such as butter, margarine (refrigerated and non-refrigerated), cheese and salad dressings, ready-to-drink milk, jelly-based snacks, cooking oils and ice cream. Magnolia caters to both retail and institutional sectors of the market. While brand building is critical to the retail sector, the institutional segment is more price-driven. Magnolia is believed to be the leader in the butter category followed by Fonterra Brands Philippines Inc. and New Zealand Creamery (NZC). In the refrigerated margarine category where NZC and RFM also compete, Magnolia accounts for a significant market share. The same holds true in the non-refrigerated margarine category. In the cheese category, however, Mondelez Philippines, Inc. (Mondelez, formerly Kraft Foods Philippines) is acknowledged as the leading player followed by Magnolia and NZC. Major players in the bread spreads industry continue to reach consumers via tri-media to spur trial and usage for their products, and have resorted to downsizing to reduce cash outlay in line with efforts to sustain consumption. The milk industry, on the other hand, has Nestle Philippines, Inc. (Nestle) as the major player with Magnolia following suit. For the jelly-based snacks industry, the main players are Magnolia and Knotsberry Farm. The ice cream market, where RFM, maker of Selecta, and Nestle are dominant, with Magnolia ranking as the third largest player, further contracted in 2013 despite new products launched and heavy advertising and promotion spending by major players.

SMPFC's coffee business under SMSCCI is currently in fourth in terms of market share in the coffee mix segment. Composed of instant coffee, coffee mixes and ready-to-drink coffee segments, the local coffee industry is still dominated by Nestle, the market leader in almost all coffee sub-categories. Another key player is Tridharma Marketing Corp., maker of Kopiko. Other players and competing brands in the coffee industry include URC (Great Taste), Mondelez (Maxwell House), Commonwealth Foods, Inc. (Café Puro) and Goldshine Pharmaceuticals, Inc. (Jimm's). Coffee is popular among Filipinos and has cut-across appeal among virtually all socio-economic classes.

### **Petron Corporation**

Deregulation saw the entry of more than 90 other industry players, rendering the petroleum business more competitive. In the reseller sector, competition has shifted from the oil majors to the growing new player sector. The number of new player outlets has been increasing from 695 in 2001 to close to 2,200 as of end 2013. New players collectively built 221 outlets in 2013, compared with oil majors' 244 service stations. Aggressive expansion of new players is fueled by attractive dealer package, healthy gasoline margins, and flexible product sourcing. In the industrial sector, investments such as depot construction continue to pour in from players (both oil majors and independent players) aimed at increasing market share and tapping new markets. The acquisition of Shell's LPG business in the Philippines by Isla Petroleum & Energy continues to put pressure on the price-sensitive LPG refiller sector as the new entrant attempts to establish a critical mass in

view of its limited brand equity. In the lubes market, competition is intense with over 50 brands, including big names like Castrol, Mobil, Shell, and Caltex, fighting for market share. Brands compete for limited shelf space, which has led to the penetration of relatively new markets like auto-dealerships and malls.

Petron participates in the reseller (service station), industrial, lube and LPG sectors, through its network of service stations, terminals and bulk plants, dealers, and distributors nationwide. In addition, Petron is engaged in non-fuels business through its billboards and locators which are largely situated within premises of service stations. Aside from the two major oil companies, namely, Shell and Chevron, Petron also competes with other players which together hold a collective market share of about 30.0%.

Historical data shows that Petron has effectively gained and protected its market leadership. Its strength lies in its organization, technology, assets, resources and infrastructure. It has continuously developed and adopted initiatives aimed at improving operational efficiency; managing costs and risks; maximizing utilization of its assets and opportunities such as tapping new markets and engaging in new businesses.

#### **San Miguel Properties, Inc.**

Among SMPI's major competitors in the CALABARZON area are the Ayala West Grove Heights by Ayala Land Premier, Nuvali by Ayala Land, Georgia Club by Brittany, South Forbes Bali Mansions by Cathay Land, Eton City by Eton Properties, Tierra Nevada by Camella Homes, Governor's Hills and Cybergreens by Megaworld Corp. through its affiliate, Suntrust Properties, Inc., Avida Settings Cavite by Avida Land, Bellefort Estates and Lancaster Estates by Profriends, Inc., Amaia Scapes by Amaia Land, Amalfi of Crown Asia, Ara Vista of Picar Development, Inc. and Villa Elena of Asia Landbest, Inc.

SMPI's competitors at the Ortigas area are the Taipan Place, Wynsum Corporate Plaza, Orient Square and Robinson's PCI Bank Tower.

#### **SMC Global Power Holdings Corp.**

SMC Global's main competitors are the Lopez Group and the Aboitiz Group. The Lopez Group holds significant interests in First Gen Corporation and Energy Development Corporation, while the Aboitiz Group holds interests in Aboitiz Power Corporation, which has interests in several power generation companies. Another competitor in the industry is the Ayala Group. They have acquired stakes in GN Power, Trans-Asia Oil and Energy Development Corp., Northwind Power Development Corp. and North Luzon UPC Asia Corp.

#### **Telecommunications**

SMC's principal competitors include the following telecommunications companies in the Philippines: the Philippine Long Distance Telephone Company, Globe Telecommunications, Inc. and Digitel Telecommunications Philippines, Inc. SMC's principal competitors are relatively larger companies that may have greater market presence as well as greater engineering resources and experience.

#### *Sources and Availability of Raw Materials and Supplies*

The Parent Company's subsidiaries have contracts with third party suppliers of raw materials and services. The Group obtains its principal raw materials on a competitive basis from various suppliers here and abroad. The Group is not aware of any dependency upon one or a limited number of suppliers for essential raw materials as it continuously looks for new principals/traders where the strategic raw materials could be sourced out and negotiations are done

on a regular basis. The Group has contracts with various suppliers (from a related party and third parties) for varying periods ranging from three to 12 months. All contracts contain renewal options.

Among the Group's third party supplier of major raw materials in 2013 are as follows:

### **BEVERAGE BUSINESS**

Malt and Hops	Joe White Maltings Pty. Ltd. Malteurop S.A. Malteries Soufflet Barrett Burston Malting Co. Pty. Ltd. Cofco Malt (Dalian) Co., Ltd. Guangzhou Malting Co., Ltd. Malteurop (Baoding) Malting Co. Ltd. Qitai Chunlei Malting Co. Ltd. Shandan Ruiyuan Beer Materials Co., Ltd. Taiwan Hon Chuan Enterprise Co., Ltd. Gansu Tianma Hops Co., Ltd. Guangzhou Yonglitai Tetrahops Co., LTD HVG Hopfenverwertungsgenossenschaf Jiuquan Steiner Trading Company John Haas, Inc. Hopsteiner Asia Co. Ltd. Shenzhen Kalsec Simon H. Steiner, Hopfen, GmbH Zhongliang Malt (Jiang Yin)
Corn Grits/Tapioca/ Rice/Sugar/Starch	Cagayan Corn Products Chaodee Trading Co., Ltd. Corson Costimex S.A. C.P. Food Store Co., Ltd. DNTN Toan Dao Dongguan Jinxianfeng sugar Co. Fococev Foshan Guangming Food Manufacture Co., Ltd. FoshanshundeShengYu rice Guangzhou Shun Quiao Trade Co., Ltd. Hebei Haiyu foodstuff Co., Ltd. Hefei Longjie Rice Co., LTD Heindrich Trading Corporation KCP Keangcharoen Co., Ltd. Khanh Hoa JSC Limketkai Manufacturing Corporation My Tuong JS Co. Ninh Hoa JSC Ninh Tuan LTD. PT Sinar Unigrain Indonesia RJJ Enterprises Shandong Zhonggu Starch Sugar Co., LTD. Shunping zhuoya starch product Co., Ltd.

Packaging Materials

Taikoo Sugar Ltd.  
Tonghua Buayai (1994) Co., Ltd.  
Zhaoqing Huanfa preserved fruit syrup Co

Ball Asia Pacific Beijing  
Ball Asia Pacific Shenzhen Met  
Bangkok Can Manufacturing Co., Ltd.  
Bangkok Glass Industry Co., Ltd.  
Boonpongkit Ltd.  
Conpac, PT  
CPMC (Tianjin)  
Crown Beverage Cans Beijing  
Crown Beverage Cans HongKong  
Crown Seal Public Company Limited  
DTM Print & Labels Specialist, Inc.  
Fangyuang  
Farmarindo Jaya PT  
Foshan Boer Co.  
Fountain Can Corporation  
Guandong Huaxing Glass Co., Ltd.  
Guang Dong Man Cheong Packaging Printing Co. Ltd.  
Guangzhou Xinquan Crown Co., LTD  
Guangdong Wangchang  
GZ New Spring  
H&N (Suzhou) Packaging Material  
Haendler & Natermann Gmbh  
Hebei Huaxing  
Heindrich Trading Corporation  
HK Man Cheong  
Hui Zhou Huangguan Can Co., Ltd.  
Jiaxing Haoneng  
Lerd Chai Tus Co., Ltd.  
MBF Printing  
Minh Phuc Co.  
OI (Xianxian)(formerly CangzhouCangshun)  
Pacific Can (Beijing) Co. Ltd.  
Pacific Can (Zhangzhou) Co. Ltd.  
Printwell, Inc.  
PT Altinex  
PT Ancol Terang Metal Printing  
Shenyang Ziquan  
Shijiazhuang Shengyi  
Shundewanchang Label  
Siam Glass Industry Company Limited  
Zaozhuang Jintai (former Lianxing)  
Arcya Glass Corporation  
Formosan Glass Distributors Corporation  
Health Keepers Leasing (HKC) Co., Inc.  
Yantai Hicap Closures Co., Ltd.  
Seven - M Industries Inc.

	Treasure Island Industrial Corp. Omega - Ventures United Graphic Expression Corp. Superline Printing Company Twinpack Container Corp. Greenstone Packaging Corp. Master Corrugated Boardmakers, Inc. Corbox Corp. Rielyn Packaging Product Kenjo Trading H. Estrada Trading Loscam (Philippines) Inc. - Wooden Pallets Lakeside Food and Beverages Corporation
Molasses	Progressive Chemical Trade, Inc. Schuurmans & Van Ginneken Phils., Inc. TAO Commodity Trader, Inc. All Asian Countertrade, Inc.
Alcohol	ED & F Man Asia Pte., Ltd. Heindrich Trading Corp. Crown Master Trading Ltd. Thai San Miguel Liquor Co., Ltd. Yantai Whisno Charles Wine Co., Ltd.
Sugar	All Asian Countertrade, Inc. Central Azucarera Don Pedro, Inc. ED & F Man Philippines, Inc.
High Fructose Corn Syrup	BNC Ingredients Corp.
Flavors	Givaudan Singapore Firmenich Asia Pte Ltd Symrise International Flavors and Fragrances

## **FOOD BUSINESS**

Soybean and Soybean Meals	AG Processing, Inc. Louis Dreyfus Commodities Asia Pte Ltd.
Breeder Stocks	Cobb Vantress Inc. Aviagen Group
Spring / Soft Wheat	Bunge Agribusiness Singapore Pte. Ltd. Columbia Grains International
Indian Buffalo Meat	Allanasons Limited
Cheese Curd and Anhydrous Milk Fat	Fonterra (SEA) Pte. Limited

Oil

Tap Oil Manufacturing Corp.

Coffee Mixes

Super Coffee Corporation Pte. Ltd.  
SCML (Thailand) Company Ltd.  
Super Coffeemix Vietnam Ltd.

### **PACKAGING BUSINESS**

#### *Glass Business*

Silica Sand

Woodward Japan, Incorporated  
Mitsubishi Corporation

Soda Ash

Connell Brothers Company

Limestone

Megarock Milling Corporation

Teresa Limestone Producers Coop

Feldspar

Feldspar Processing Corp

Rock Energy International Corporation

Cullet

Sanven Marketing Corporation

Carlo and Michael Marketing

Coca-Cola Bottlers Philippines, Inc.

#### *Molds*

Casting Molds

Metals Engineering Resources Corp  
FVC Philippines, Inc.

BF Glass Mould Overseas PTE, Ltd

NeckRing Bars

Metals Engineering Resources Corp.

BF Glass Mould Overseas PTE, Ltd

Floucast Round Bars

Pan Pacific Industrial Company

Ammex Machine Tools Phils

#### *Plastics Business*

Resins, Polymers, Poly-Ethylenes

JG Summit Petrochemical Corporation

Titan Trading Corp. SDN. BHD.

SK Plastic Reliance Co.

Colorants/Pigments

Chemdis Manufacturing Corporation

Masterbatch Philippines, Inc

Esta Fine Colour Corp

Inks

MCR Industries Inc

Union Inks & Graphics Phils., Inc.

CDI Sakata Inx

Kolora Ink and Chemical Corp

Toyo Ink (Phils) Co. Inc

#### *Metal Business*

TFS (Tin Free Sheet)

Macrolite Korea Corp.

Kemeny Overseas Products Corp.

Mitsui & Co., Ltd.

Metal One Corporation

Aluminum Sheet

Macrolite Korea Corp.

Samhwa Trading

Liners	Samhwa Trading Sancap Liner Technology Chemdis Manufacturing Corporation Fortune Plastics Processing & Chemical Corporation D&L Polymer & Colours, Inc.
Inks	CDI Sakata inx Corp. Inkote Philippines, Inc WR Grace (Phils), Inc
Aluminum Coil	Alcoa, Inc. Sumitomo Corporation
Lubricants./ Coolant/	Houghton Australia Pty Ltd. Force Industries Division America
<i>Laminates Business</i> PET/ CPP/OPP and Other Films	Polyplex Thailand PT Kolon PT Argha Karya Universal Robina Corporation
PE Films	Klang Hock Plastic Industries, Sdn. Bhd Flexible Packaging Products Corp. Accuprint Inc.
Aluminum Foil	Gruppo Teknologia, Inc. Daching Enterprise Ltd. 3 Sun Traders Corporation
Resins	Trans World Trading Co., Inc. Dow Chemicals Pacific, Ltd. JG Summit Petrochemical Corporation
<i>PET Business</i> PET Resin	Indorama Polymers Public Co., Ltd Shinkong Synthetic Fibers Corporation Eastwest Polymer Private Limited
HDPE Resin	JG Summit Petrochemical Corporation
PP Resin	Basell Asia Pacific Limited
Hotfill Resin	Shinkong Synthetic Fibers Corporation FarEastern Polychem Industries
CO2	Coca - Cola Bottlers, Philippines, Inc.
Green Colorant	PT Holland Colours Asia

*Paper Business*

Kraft Paper

Price & Pierce International, Inc.

Visy Pulp & Paper Pty. Ltd.

Modified Starch & Resins

National Starch & Chemical (Singapore) Pte Ltd

**FUEL AND OIL BUSINESS**

Crude

Saudi Arabian Oil Company

Base Oil

Shell International Eastern Trading Company

Blending Components

Pilipinas Shell Petroleum Corp.

Chemrez Technologies Inc.

San Carlos Bioenergy Inc.

Finished Product

Petrobras Singapore Pte. Ltd.

BB Energy (Asia) Pte. Ltd.

Petrochina International Pte. Ltd.

Liquigaz Philippines Corp.

PTT Philippines Corporation

**ENERGY**

Coal

PT Kaltim Prima Coal

PT Trubaindo Coal Mining

Noble Resources

Other Consumables

Strongforth Limestone Corporation

Electricity

Philippines Electricity Market Corporation

Construction Materials

Formosa Heavy Industries

Boom Access Investments Ltd.

*Dependency upon a single customer or a few customers*

Due to constant drive toward customer satisfaction and continuous improvement, the Group is able to maintain its wide base of customers. The Group is not dependent upon a single or a few customers.

*Transactions with and/or dependence on related parties*

On August 15, 2013, the Parent Company executed a Share Purchase Agreement (the Share Purchase Agreement) with SMC pursuant to which the Parent Company agreed to acquire 100% of the outstanding and issued shares of stock of Clariden, through (a) the assignment by SMC of its subscription rights to shares of stock of Clariden intended to be issued upon approval by the SEC of the increase in Clariden's authorized capital stock, (b) the assignment by SMC of receivables due from Clariden and certain of its subsidiaries, and (c) the sale by SMC and purchase by the Parent Company of all of the then outstanding shares of stock of Clariden.

On August 30, 2013, the transactions contemplated under the Share Purchase Agreement were completed and the Parent Company and SMC executed the following: (a) a Deed of Absolute Shares covering the sale by SMC and the purchase by the Parent Company of 10,000,000 common shares of Clariden, representing 100% of the then outstanding capital stock of Clariden, for a total consideration of P2,135 million, and (b) a Deed of Assignment of Receivables covering total advances of SMC in Clariden and its subsidiaries totaling P725 million. On September 6, 2013, the Parent Company and SMC (with the conformity of Clariden) executed a Deed of Assignment of Subscription Rights whereby SMC assigned to the Parent Company all of its subscription rights to 2,850,000 common shares of stock of Clariden to be issued out of the increase in the authorized capital stock which shall be applied for by Clariden with the SEC (which shares had been subscribed to at P166.41 per share or an aggregate subscription price of P474 million and of which subscription price P471 million had been remitted by SMC to Clariden). In consideration of the assignment by SMC, the Parent Company agreed to pay SMC the amount of P604 million and to assume payment of the unpaid subscription price to the Clariden shares in the amount of P3 million.

The Group and certain related parties, in the normal course of business, purchase products and services from one another. Please see Note 32, Related Party Disclosures, of the Consolidated Financial Statements attached hereto as **Annex “D”**.

#### *Registered Trademarks/Patents, Etc.*

All marks used by the Group in its principal products are either registered or pending registration in the name of the Parent Company or its subsidiaries in the Philippines and in foreign markets of said products.

The SMC Group uses various brand names and trademarks, including “San Miguel”, “Ginebra San Miguel”, “Purefoods”, “Magnolia”, “Star”, “Dari Creme”, “B-Meg”, “Petron”, “Gasul”, and other intellectual property rights to prepare, package, advertise, distribute and sell its products.

The disclosure on the Group’s intangible assets are reflected in the following section of the Audited Consolidated Financial Statements attached hereto as **Annex “D”**.

Note 3	Significant Accounting Policies – Intangible Assets
Note 17	Goodwill and Other Intangible Assets
Note 33	Significant Agreements and Lease Commitments

#### *Government Approvals and Compliance with Environmental Laws*

Being an investment holding company, apart from its corporate registration with and primary franchise granted by the SEC, the Parent Company does not have any other government approvals which may be material to its operations. Likewise, the Parent Company is not required to comply with environmental laws and regulations in respect of any of its operations.

The Group has obtained all necessary permits, licenses and government approvals to manufacture and sell its products.

#### *Government Regulation*

The Group has no knowledge of recent or impending legislation, the implementation of which can result in a material adverse effect on the Group’s business or financial condition.

#### *Research and Development*

The Parent Company’s subsidiaries undertake regular research and development in the course of their regular business:

## **Beverages**

SMB employs state-of-the-art brewing technology. Its highly experienced brewmasters and quality assurance practitioners provide technical leadership and direction to continuously improve and maintain high standards in product quality, process efficiency, cost effectiveness and manpower competence. Brewing technology and processes are constantly updated and new product development is ensured through continuing research and development. A research and development group is housed in the technical center building of the Polo Brewery. Research and development activities are primarily undertaken in a pilot plant located in the Polo Brewery.

## **Food**

The research and development program of San Miguel Pure Foods focuses on the development of new products, identifying cost improvements while maintaining product quality, the use of alternative raw materials, improvements in production operations and efficiency, livestock operations.

## **Packaging**

The SMC Group's packaging division plans to enter new markets and market segments with new products such as personal care (plastic tubes), pharmaceuticals (plastic pharma bottles), semi-conductors and electronics (anti-static bags), paint (pails), food tubs, lug caps, deep draw caps, slim cans, PET wide-mouth jars and various converted can ends. The Packaging Group expects the future consumer trend towards environmentally friendly products and environmentally sound manufacturing systems. Hence, the Packaging Group plans to increase investments into eco-friendly facilities, processes and products.

## **Fuel and oil**

Over the years, Petron has made significant investments in conversion and petrochemical facilities and is focused on increasing production of White Products and petrochemicals while minimizing production of low margin fuel products. In recent years it has focused increasingly on the production of new higher margin petrochemical feedstocks, such as propylene, mixed xylene, toluene and benzene, and shifted production from lower margin fuel oils to higher margin products.

Petron will also continue to expand into the blending and export of fuel additives, leveraging on its technology partnership with Innospec, and will continue to tap the customer base of Innospec in Asia to broaden the market for the lubricant products of Petron.

Petron has been implementing various programs and initiatives to achieve key performance indices on reliability, efficiency and safety in its refinery. These programs include the Reliability Availability Maintenance (RAM) program and the Profitability Improvement Program (PIP), which were developed and implemented in coordination with KBC Market Services, an international consultant. The RAM program resulted in improved operational availability and lower maintenance cost through higher plant reliability and a longer turnaround cycle of four to five years from the previous two years. The PIP likewise significantly improved white products recovery, particularly diesel and liquefied petroleum gas (LPG).

## **Energy**

SMC Global seeks to capitalize on regulatory and infrastructure developments by scheduling the construction of greenfield power projects to coincide with the planned improvements in the interconnectivity of the Luzon and Visayas grids, as well as the eventual interconnectivity and implementation of WESM in Mindanao. In addition, SMC Global Power seeks to maintain the cost competitiveness of these new projects by strategically locating them in high-demand areas and in proximity to the grid.

SMC Global is considering the expansion of its power portfolio of new capacity nationwide through greenfield power projects over the next ten years, depending on market demand. SMC Global Power plans to carry out the expansion of its power portfolio in phases across Luzon, Visayas and Mindanao. SMC Global plans to use clean coal technology for its planned and contemplated greenfield power projects.

## **Infrastructure**

SMC's infrastructure group is currently undertaking various research and development activities in relation to its infrastructure projects, such as transport planning, traffic and ridership studies and analyses.

The Group's expenses for research and development amounted to P145 million or 1.39% to net income in 2013.

### *Cost of Compliance with Environmental Laws*

On an annual basis, operating expenses incurred by the Group to comply with environment laws are not significant or material relative to the Parent Company and its subsidiaries' total cost and revenues.

### *Human Resources and Labor Matters*

As of December 31, 2013, the Group has about 18,144 employees and has 34 existing collective bargaining agreements ("CBA"). Of the 34 CBAs, 7 will be expiring in 2014.

The list of CBAs entered into by the Parent Company and its subsidiaries with their different employee unions, is attached hereto as **Annex "B"**.

### *Major Business Risk/s*

The major business risks facing the Group are as follows:

#### a) Competitor Risks

New and existing competitors can erode the Group's competitive advantage through the introduction of new products, improvement of product quality, increase in production efficiency, new or updated technologies, costs reductions, and the reconfiguration of the industry's value chain. The Group has responded with the corresponding introduction of new products in practically all businesses, improvement in product propositions and packaging, and redefinition of the distribution system of its products.

#### b) Catastrophic and Environmental Risks

War, terrorism, fire, severe weather conditions, health issues and other similar events that are completely beyond the control of the Group were mitigated with the re-channeling of volumes from mostly on-premise outlets to retail stores.

#### c) Political Risks

The risk of adverse consequences through political actions by way of discouraging alcoholic consumption in Indonesia where the Group has a sizeable investment in a brewery is being gradually addressed with the introduction of non-alcoholic beverages that can cater to the predominantly Muslim population. Marketing and distribution efforts for the Group's beer and liquor products have focused only in outlets where alcoholic beverages are allowed to be sold and consumed.

#### d) Regulatory Risks

Changes in regulations and actions by national or local regulators can result in increased competitive pressures, such as the recent legislation on excise tax increases for alcoholic beverages.

#### e) Social and Cultural Risks

The way people live, work and behave as consumers can affect the industry's products and services. For example, more women in the workplace, concerns about drug use, increasing crime rate, increased health consciousness, etc. The Group has introduced products that try to address or are attuned to the evolving lifestyles and needs of its consumers. *San Mig Light* and *San Mig Zero*, a low calorie beer, were introduced to address increasing health consciousness and *San Mig Strong Ice* for the upwardly mobile market. Initiatives similar to this have been pushed in the food division for years.

#### f) Sourcing Risks

Alternative sources of raw materials are used in the Group's operations to avoid and manage risks on unstable supply and higher costs.

#### g) Financial Risk

The Group enters into various commodity derivatives to manage its price risks on strategic commodities. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Through hedging, prices of commodities are fixed at levels acceptable to the Group, thus protecting raw material cost and preserving margins.

Prudent fund management is employed to manage exposure to changes in earnings as a result of fluctuations of interest rates, foreign currency rates, etc.

Liquidity risks are managed to ensure adequate liquidity of the Group through monitoring of accounts receivables, inventory, loans and payables. A committed stand-by credit facility from several local banks is also available to ensure availability of funds when necessary.

Please refer to Note 39 of the Notes to the audited Consolidated Financial Statements attached hereto as **Annex "D"** for the discussion of the Group's Financial Risk Management Objectives and Policies.

### Item 2. Properties

A summary of information on SMC and Clariden and their significant subsidiaries' principal plants and conditions thereof, is attached hereto as **Annex "C"**.

The Parent Company does not hold any real property of material value. Its present office is at the 5th Floor, ENZO Building, No. 399 Sen. Puyat Ave., Makati City. Other than its subsidiary and properties held through its subsidiary, the Parent Company does not hold significant properties.

The Parent Company and its significant subsidiaries have no principal properties that are subject to a lien or mortgage. There are no imminent acquisitions of any material property that cannot be funded by working capital of the Group.

For additional information on the Group's properties, please refer to Note 14, Property, Plant and Equipment) and Note 15, Investment Property of the Audited Consolidated Financial Statements attached hereto as **Annex "D"**.

### Item 3. Legal Proceedings

The Group is not a party to, and its properties are not the subject of, any material pending legal proceeding that could be expected to have a material adverse effect on the Group's results of operations.

### Item 4. Submission of Matters to a Vote of Security Holders

There are no matters which were submitted to a vote of the Parent Company's stockholders, through the solicitation of proxies or otherwise, during the fourth quarter of 2013.

## PART II – OPERATIONAL AND FINANCIAL INFORMATION

### Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

On October 17, 2013, the Board of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of Top Frontier to the SMC common shareholders of record as of November 5, 2013, which dividend declaration was approved by the SEC on November 19, 2013. The Certificate Authorizing Registration was issued by the Bureau of Internal Revenue (BIR) on December 26, 2013 and the physical distribution of the property dividends commenced on 02 January 2014 ("Distribution Date").

Top Frontier's 490,196,200 common shares, composing the total issued common shares of Top Frontier, were listed by way of introduction in the Philippine Stock Exchange on 13 January 2014.

The high and low closing prices of the common shares of Top Frontier for the first quarter of 2014 are as follows:

	2014	
	Common	
	High	Low
1 <sup>st</sup> Quarter	104.90	58.05

The closing price as of March 31, 2014, the latest practicable trading date, is P88.95 per share.

The approximate number of shareholders as of Distribution Date is 36,646.

The top 20 common stockholders as of the Distribution Date is attached as **Annex "G"**.

The Parent Company's Board of Directors approved the declaration and payment of the following cash dividends to preferred stockholders as follows:

For the Year Ended December 31, 2013

Date of Approval	Date of Record	Amount	Dividend Per Share
February 13, 2013	February 13, 2013	P266	P139.50

For the Year Ended December 31, 2012

Date of Approval	Date of Record	Amount	Dividend Per Share
February 28, 2012	February 28, 2012	P362	P139.50
June 14, 2012	June 14, 2012	966	139.50
September 7, 2012	September 7, 2012	266	139.50
November 12, 2012	November 12, 2012	266	139.50
		P1,860	

For the Year Ended December 31, 2011

Date of Approval	Date of Record	Amount	Dividend Per Share
February 2, 2011	February 2, 2011	P362	P139.50
April 12, 2011	April 12, 2011	362	139.50
December 15, 2011	December 15, 2011	363	139.50
		P1,087	

Description of the securities of the Parent Company may be found in Note 24, Equity, of the 2013 audited Consolidated Financial Statements, attached herein as **Annex “D”**.

There were no securities sold by the Parent Company within the past three (3) years which were not registered under the Securities Regulation Code.

#### **Item 6. Management's Discussion and Analysis or Plan of Operation.**

##### **(A) Management Discussion and Analysis**

The information required by Item 6 (A) may be found on **Annex “F”** hereto.

##### **(B) Information on Independent Accountant and Other Related Matters**

The accounting firm of R. G. Manabat & Co., served as the Parent Company's external auditors for the last seven fiscal years. The Board of Directors will again nominate R. G. Manabat & Co. as the Parent Company's external auditors for this fiscal year.

Representatives of R. G. Manabat & Co. are expected to be present at the stockholders' meeting and will be available to respond to appropriate questions. They will have the opportunity to make a statement if they so desire.

For 2012 and 2011, the Auditors were engaged to express an opinion on the financial statements of the Parent Company. Total fees paid were P0.57 million for 2012 and P0.55 million for 2011. For the audited financial statements prepared as of December 31, 2013, total audit fees amounted to P1.4 million.

The stockholders approve the appointment of the Parent Company's external auditors. The Audit Committee reviews the audit scope and coverage, strategy and results for the approval of the board and ensures that audit services rendered shall not impair or derogate the independence of the external auditors or violate SEC regulations. The Parent Company's audit committee's approval policies and procedures for external audit fees and services are stated in the Parent Company's Manual of Corporate Governance.

#### **Item 7. Financial Statements**

The Audited Consolidated Financial Statements and Statement of Management's Responsibility are attached as **Annex “D”** hereto with the Supplementary Schedules attached as **Annex “E”** hereto. The auditors' PTR, name of certifying partner and address are attached as **Annex “D-1”** hereto.

#### **Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

There are no disagreements with the Parent Company's external auditors on accounting and financial disclosure.

## PART III – CONTROL AND COMPENSATION INFORMATION

### Item 9. Directors and Executive Officers of the Issuer

The overall management and supervision of Top Frontier is undertaken by the Board of Directors. The Board is composed of seven (7) members of the Board, two (2) of whom are independent directors. Pursuant to the By-Laws of Top Frontier, the directors are elected at each annual stockholders' meeting by stockholders entitled to vote. The term of a director is one year from date of election and until their successors are elected and qualified.

As of 31 December 2013, the composition of the Board of Directors of Top Frontier is as follows:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>	<b>Year Position was Assumed</b>
Iñigo U. Zobel	56	Filipino	Chairman	2008
Ramon S. Ang	59	Filipino	Director	2010
Ferdinand K. Constantino	62	Filipino	Director	2010
Aurora T. Calderon	59	Filipino	Director	2013
Nelly Favis-Villafuerte	76	Filipino	Director	2013
Consuelo Ynares-Santiago	74	Filipino	Independent Director	2013
Minita Chico-Nazario	74	Filipino	Independent Director	2014

As of 31 December 2013, the following are the executive officers of Top Frontier:

<b>Name</b>	<b>Age</b>	<b>Citizenship</b>	<b>Position</b>	<b>Year Position was Assumed</b>
Iñigo U. Zobel	56	Filipino	Chairman of the Board	2008
Ramon S. Ang	59	Filipino	President and Chief Executive Officer	2013
Aurora T. Calderon	59	Filipino	Treasurer	2010
Bella O. Navarra	53	Filipino	Chief Finance Officer	2013
Virgilio S. Jacinto	56	Filipino	Corporate Secretary and Compliance Officer	2010 2013
Irene M. Cipriano	39	Filipino	Assistant Corporate Secretary	2013

The following discussion presents a brief description of the business experience of each of the directors and executive officers of Top Frontier over the past five years.

#### **Iñigo U. Zobel**

Mr. Zobel is the Chairman of Top Frontier (since 2008) and the Chairman of the Executive Committee (since 2013). He is also the President and Chief Executive Officer of E. Zobel, Inc. (since 1983), a Director of San Miguel Corporation (since 1999); President of Calatagan Golf Club, Inc. (since 1987) and Hacienda Bigaa, Inc. (since 1981); President and Chief Operating Officer of Air Philippines Corporation (since 2012); and a Director of Calatagan Resort, Inc. (since 1985), Calatagan Bay Realty, Inc. (since 1995), Mermac, Inc. (since 1996), PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012). He was formerly an Independent Director of San Miguel Brewery Inc. (2007-2010), San Miguel Pure Foods Company, Inc. (2006-2009), San Miguel Properties, Inc. (2009-2010), and Ginebra San Miguel, Inc. (2004-2010).

**Ramon S. Ang**

Mr. Ang is the Director (since 2010) and President and Chief Executive Officer (since 2013) of Top Frontier. He is also a member of the Executive Committee, Corporate Governance Committee, and the Chairman of the Executive Compensation Committee of Top Frontier (since 2013). Mr. Ang is the Vice Chairman (since 1999), President and Chief Operating Officer of San Miguel Corporation (since 2002); Chairman of San Miguel Brewery Inc. (since 2007), San Miguel Brewery Hong Kong Limited (since 2005), Petron Corporation (since 2009), Sea Refinery Corporation (since 2011), SMC Global Power Holdings Corp. (since 2010), San Miguel Foods, Inc. (since 2006), San Miguel Yamamura Packaging Corporation (since 2006), San Miguel Properties, Inc. (since 2002), Anchor Insurance Brokerage Corporation (since 2001), and Clariden Holdings, Inc. (since 2012); Chairman and President of San Miguel Holdings Corp. (since 2010) and San Miguel Equity Investments, Inc. (since 2011); President and Chief Operating Officer of PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012); Director of Ginebra San Miguel, Inc. (since 2000), San Miguel Pure Foods Company, Inc. (since 2001), and Air Philippines Corporation (since 2012); Chairman of Liberty Telecoms Holdings Inc. (since 2008), Philippine Diamond Hotel & Resort, Inc. (since 2004), Philippine Oriental Realty Development, Inc. (since 2004), and Atea Tierra Corporation (since 2006); and the Vice Chairman and Director of Manila Electric Company (since 2009). He is also the sole director and sole shareholder of Master Year Limited (since 2012) and the Chairman of Privado Holdings, Corp. Mr. Ang has held directorships in various subsidiaries of San Miguel Corporation in the last five years.

**Ferdinand K. Constantino**

Mr. Constantino is a Director of Top Frontier (since 2010) and the Chairman of the Nomination and Hearing Committee and a member of the Audit Committee and Corporate Governance Committee (since 2013). He is also the Senior Vice President, Chief Finance Officer and Treasurer (since 2001) and Director (since 2010) of San Miguel Corporation; President of Anchor Insurance Brokerage Corporation (since 2002); Vice Chairman of SMC Global Power Holdings Corp. (since 2011); a Director of San Miguel Brewery Inc. (since 2007), Ginebra San Miguel, Inc. (since 2012), San Miguel Yamamura Packaging Corporation (since 2002), SMC Stock Transfer Service Corporation (since 1993), San Miguel Holdings Corp. (since 2001), PAL Holdings, Inc. (since 2012), Philippine Airlines, Inc. (since 2012) and Clariden Holdings, Inc. (since 2012); and a Director and Treasurer of San Miguel Equity Investments, Inc. (since 2011). Mr. Constantino previously served as Chief Finance Officer and Treasurer of San Miguel Brewery Inc. (2007-2009); Director of San Miguel Pure Foods Company, Inc. (2008-2009), Director of Ginebra San Miguel, Inc. (2008-2010) and San Miguel Properties, Inc. (2001-2009); and Chief Finance Officer of Manila Electric Company (2009). He has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

**Aurora T. Calderon**

Ms. Calderon is a Director of Top Frontier (since 2013), the Treasurer (since 2010) and a member of the Executive Committee, Audit Committee and Executive Compensation Committee (since 2013). She is also the Senior Vice President-Senior Executive Assistant to the President and Chief Operating Officer of San Miguel Corporation (since 2010); a Director of Petron Corporation (since 2010), Petron Marketing Corporation (since 2010), Petron Freeport Corporation (since 2010), Sea Refinery Corporation (since 2010), New Ventures Realty Corporation (since 2010), Las Lucas Construction and Development Corp. (since 2010), Thai San Miguel Liquor Co. (since 2008), SMC Global Power Holdings Corp. (since 2010), San Miguel Equity Investments Inc. (since 2011), PAL Holdings, Inc. (since 2012), Philippine Airlines, Inc. (since 2012), Air Philippines Corporation (since 2012) and Clariden Holdings, Inc. (since 2012). She was previously a consultant of San Miguel Corporation reporting directly to the President and Chief Operating Officer (1998-2010) and formerly a Director of Manila Electric Company (2009). Ms. Calderon has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

**Nelly Favis-Villafuerte**

Atty. Villafuerte is a Director of Top Frontier (since 2013) and a member of the Nomination and Hearing Committee (since 2013). She is also a Director of Petron Corporation (since 2011) and a Director of Wi-Tribe Telecoms, Inc. (since 2012) and Skyphone Logistics, Inc. (since 2012). She was formerly a Monetary Board Member (2005-2011), an Undersecretary of the Department of Trade and Industry (1998 – 2005) and a Governor of the Board of Investment (1998 – 2005).

**Consuelo Ynares-Santiago**

Justice Santiago is an Independent Director of Top Frontier (since 2013), the Chairperson of the Corporate Governance Committee and a member of the Audit Committee and the Executive Compensation Committee (since 2013). She is also an Independent Director of SMC Global Power Holdings Corp. (since 2011), Anchor Insurance Brokerage Corporation (since 2012) and Phoenix Petroleum Phil. Inc. (Since 2013). She was formerly an Associate Justice of the Supreme Court (1999 – 2009), an Associate Justice of the Court of Appeals (1990 – 1999), and a Regional Trial Court Judge of Makati City (1986 – 1990).

**Minita Chico-Nazario**

Justice Nazario is a Director of Top Frontier (since 2014), the Chairperson of the Audit Committee and a member of the Nomination and Hearing Committee (since 2014). She is also an Independent Director of San Miguel Properties, Inc. (since 2012) and Ginebra San Miguel Inc. (since 2013). She is also currently the Dean of the College of Law of the University of Perpetual Help, Las Pinas City (since 2011), a director of Banco San Juan (since 2010), and a Legal Consultant of the Union Bank of the Philippines (since 2010). Justice Nazario is formerly an Associate Justice of the Supreme Court (2004-2009), the Presiding Justice of the Sandiganbayan (2003) and the Chairman of the Board (2010) and Director (2010-2011) of the Philippine National Oil Exploration Corporation.

**Bella O. Navarra**

Ms. Navarra is the Chief Finance Officer of Top Frontier (since 2013) and the Vice President, Comptrollership of San Miguel Corporation (since 2000). She is a Director and the Treasurer of Clariden Holdings, Inc. (since 2012) and various subsidiaries of San Miguel Corporation; and a Director of San Miguel Holdings Corp. (since 2007), San Miguel Equity Investments Inc. (since 2011), and SMC Stock Transfer Service Corporation (since 2001). She has held directorships in various subsidiaries of San Miguel Corporation during the last five years.

**Virgilio S. Jacinto**

Atty. Jacinto is the Corporate Secretary of Top Frontier (since 2010) and its Compliance Officer (since 2013). He is also a member of Top Frontier's Corporate Governance Committee (since 2013). He is the Corporate Secretary, Senior Vice-President, General Counsel and Compliance Officer of San Miguel Corporation (since 2010). He is also the Corporate Secretary and Compliance Officer of Ginebra San Miguel, Inc. and a Director of San Miguel Brewery Inc. (since 2010), Petron Corporation (since 2010); President of SMC Stock Transfer Service Corporation (since 2011); a Director and Corporate Secretary of SMC Global Power Holdings Corp. (since 2010); and Corporate Secretary of San Miguel Holdings Corp. (since 2010) and various subsidiaries of San Miguel Corporation. He is also an Associate Professor at the University of the Philippines, College of Law (since 1993). Atty. Jacinto was formerly the Vice President and First Deputy General Counsel of San Miguel Corporation (2006-2010). He has held directorships in, and the Corporate Secretary of, various subsidiaries of San Miguel Corporation during the last five years.

**Irene M. Cipriano**

Atty. Cipriano is the Assistance Corporate Secretary of Top Frontier (since 2013) and an Associate General Counsel of San Miguel Corporation's Office of the General Counsel. She is also the Corporate Secretary of San Miguel Equity Investments Inc. (since 2011) and the Assistant Corporate Secretary of SMC Global Power Holdings Corp. (since 2010) and of various subsidiaries of San Miguel Corporation during the last five years. Atty. Cipriano is concurrently the Assistant Corporate Secretary of PAL Holdings, Inc. (since 2012) and Philippine Airlines, Inc. (since 2012).

**SIGNIFICANT EMPLOYEES**

While all employees are expected to make a significant contribution to Top Frontier, there is no one particular employee, not an executive officer, expected to make a significant contribution to the business of Top Frontier on his own.

**FAMILY RELATIONSHIP**

There are no family relationships up to the fourth civil degree either of consanguinity or affinity among any of the directors and executive officers.

**INVOLVEMENT IN CERTAIN LEGAL PROCEEDINGS**

None of the directors, nominees for election as director, executive officers or control persons of Top Frontier have been the subject of any (a) bankruptcy petition, (b) conviction by final judgment in a criminal proceeding, domestic or foreign, (c) order, judgment or decree 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, which is not subsequently reversed, suspended or vacated, or (d) judgment of violation of a securities or commodities law or regulation by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self-regulatory organization, which has not been reversed, suspended or vacated, for the past five (5) years up to the latest date that is material to the evaluation of his ability or integrity to hold the relevant position in Top Frontier.

**Item 10. Executive Compensation**

At present, the directors do not receive any allowance or per diem per meeting, except for the independent directors who receive a per diem of P50,000.00 per Board meeting attended and P20,000.00 per Board committee meeting attended. The Board may, however, provide, in its discretion, an allowance or per diem to each member of the Board during each regular meeting of the Board, provided that the said director participates in the said meeting. Additionally, the By-Laws of Top Frontier provides that as compensation of the directors, the Board at its discretion shall receive and allocate yearly an amount of not more than 10% of the net income before income tax of Top Frontier during the preceding year. Such compensation shall be determined and apportioned among the directors in such manner as the Board may deem proper, subject to the approval of stockholders representing at least a majority of the outstanding capital stock at a regular or special meeting of the stockholders.

The By-Laws of Top Frontier further provides that the officers shall receive such remuneration as the Board may determine. A director shall not be precluded from serving Top Frontier in any other capacity as an officer, agent or otherwise, and receiving compensation therefore.

Compensation to executive officers currently comprising of the Chairman, the President and Chief Executive Officer, the Treasurer, the Chief Finance Officer, the Corporate Secretary and the Assistant Corporate Secretary amounted to nil for the for the years ended 2013, 2012, 2011 and 2010.

There were no other compensation paid to the directors for the periods indicated.

#### **Employment Contract between the Parent Company and Executive Officers**

There are no special employment contracts between Top Frontier and its named executive officers.

#### **Warrants and Options Held by the Executive Officers and Directors**

As of 31 December 2013, none of the directors and executive officers of Top Frontier hold any warrants or options in Top Frontier.

#### **Other Arrangements**

Except as described above, there are no other arrangements pursuant to which any of the directors and executive officers of Top Frontier were compensated, or is to be compensated, directly or indirectly since the incorporation of Top Frontier on March 11, 2008.

#### **Item 11. Security Ownership of Certain Beneficial Owners and Management**

Beneficial owners of more than 5% of the voting securities of Top Frontier as of Distribution Date are as follows:

<b>Title of Class</b>	<b>Name of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees after Distribution Date)</b>	<b>% of Total Outstanding Common Shares</b>
Common	Iñigo U. Zobel (Chairman of the Board)	Iñigo U. Zobel	Filipino	199,601,417	59.96%
	Aurora T. Calderon (Director and Treasurer)	Nominee-director of Mr. Zobel in the Board	Filipino	100	
	Patrick T. Lugue (Former Director)	Nominee of Mr. Zobel	Filipino	100	
				Total: 199,601,617	

<b>Title of Class</b>	<b>Name of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>No. of Shares Held by the Beneficial Owners (includes Common Shares held by their nominees after Distribution Date)</b>	<b>% of Total Outstanding Common Shares</b>
Common	Master Year Limited	Master Year Limited ("MYL")	Caymanian	49,799,800	14.96 %
	Ramon S. Ang (President and CEO)	Sole director / shareholder of MYL and Nominee-director of MYL in the Board	Filipino	100	
	Ferdinand K. Constantino (Director)	Nominee-director of MYL in the Board	Filipino	100	
				Total: 49,800,000	
Common	Privado Holdings, Corp.	Privado Holdings, Corp.*  <i>* As of Distribution Date, Mr. Ramon S. Ang owns 62.5% of Privado.</i>	Filipino	36,814,051	11.06%

As regards security ownership of management, the table below sets out the details of the voting securities in the name of the directors and executive officers of Top Frontier as of Distribution Date:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Position</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Total No. of Shares</b>	<b>% of Total Outstanding Common Shares</b>
Common	Iñigo U. Zobel	Chairman of the Board	Iñigo U. Zobel	Filipino	199,601,417	59.96%
Common	Aurora T. Calderon	Director and Treasurer	Iñigo U. Zobel; Nominee-director	Filipino	100	0%
			Aurora T. Calderon	Filipino	2,260	0%
Common	Patrick T. Lugue	Former Director	Inigo U. Zobel	Filipino	100	0%
Common	Ramon S. Ang	President and CEO	MYL; Nominee-director	MYL - Caymanian	100	0%
			Ramon S. Ang	Filipino	75,787	0.02%

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Position</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Total No. of Shares</b>	<b>% of Total Outstanding Common Shares</b>
Common	Ferdinand K. Constantino	Director	MYL; Nominee-director	MYL - Caymanian	100	0%
			Ferdinand K. Constantino	Filipino	14,750	0%
Common	Nelly Favis-Villafuerte	Director	Nelly Favis-Villafuerte	Filipino	100	0%
Common	Consuelo Ynares-Santiago	Independent Director	Consuelo Ynares-Santiago	Filipino	100	0%
Common	Bella O. Navarra	Chief Finance Officer	Bella O. Navarra	Filipino	10,260	0%
Common	Virgilio S. Jacinto	Corporate Secretary and Compliance Officer	Virgilio S. Jacinto	Filipino	2,562	0%
Common	Irene M. Cipriano	Assistant Corporate Secretary	Irene M. Cipriano	Filipino	1,000	0%

## **VOTING TRUST**

None of the stockholders holding more than 5% of the voting securities of Top Frontier are under a voting trust or similar agreement.

## **CHANGE IN CONTROL**

Top Frontier is not aware of any change in control or arrangements that may result in a change in control of Top Frontier.

## **Item 12. Certain Relationships and Related Transactions**

See Note 32, Related Party Disclosures, of the Notes to the Consolidated Financial Statements.

## **PART IV – CORPORATE GOVERNANCE**

### **Item 13. Corporate Governance**

**[Deleted. To be replaced by the Annual Corporate Governance Report in accordance with Sec Memorandum Circular 5, Series of 2013.]**

## **PART V – EXHIBITS AND SCHEDULES**

### **Item 14. Exhibits and Reports on SEC Form 17-C**

#### **(a) Exhibits**

The Audited Consolidated Financial Statements are attached as **Annex “D”** and the Supplementary Schedules are attached as **Annex “E”** hereto. The other Schedules as indicated in the Index to Schedules are either not applicable to the Parent Company and its subsidiaries or require no answer.

#### **(b) Reports on Form 17-C**

There were no SEC Form 17-C filed during the last six month period covered by this report.


## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Mandaluyong on April 14, 2014.

By:

  
**RAMON S. ANG**


President and Chief Executive Officer

  
**AURORA T. CALDERON**

Treasurer

  
**BELLA O. NAVARRA**

Chief Finance Officer


  
**VIRGILIO S. JACINTO**

Corporate Secretary and Compliance Officer

**SUBSCRIBED AND SWORN** to before me this April 14, 2014 affiants exhibiting to me their Philippine passports as follows

NAME	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Ramon S. Ang	XX0748364	July 11, 2011	Manila
Aurora T. Calderon	EB2460139	May 16, 2011	Manila
Bella O. Navarra	EB6339121	September 14, 2012	Manila
Virgilio S. Jacinto	EB0971552	September 17, 2010	Manila

Doc. No. 115  
Page No. 26  
Book No. I  
Series of 2014.

  
**RICARDO P. BERNABE III**  
Commission No. 0416-14  
Notary Public for Mandaluyong City  
Until Dec. 31, 2015  
SMC, 40 San Miguel Ave., Mandaluyong City  
Roll No. 61400  
PTR No. 19450-J; 01/03/14; Mandaluyong City  
IBP Lifetime Member No. 011669; 03/08/13; RSM

ANNEX “A”

TOP FRONTIER INVESTMENT HOLDINGS, INC.

2013

LIST OF PRODUCTS

**SAN MIGUEL BREWERY INC.  
LIST OF PRODUCTS**

- 1. San Miguel Pale Pilsen**
- 2. San Mig Light**
- 3. San Mig Strong Ice**
- 4. San Miguel Super Dry**
- 5. San Miguel Premium All-Malt**
- 6. Red Horse**
- 7. Gold Eagle**
- 8. Cerveza Negra**
- 9. Oktoberfest Brew**
- 10. Cali**
- 11. San Miguel Flavored Beer**
- 12. San Mig Zero**
- 13. San Miguel Nab**
- 14. Valor**
- 15. Blue Ice**
- 16. Dragon**
- 17. Super Cool**
- 18. Blue Star**
- 19. W1N Bia (Bia Hoi)**
- 20. Anker**
- 21. Kuda Putih**
- 22. Sodaku**

**BREWED FOR PRIVATE LABEL**

- 1. Bruck**
- 2. Knight**
- 2. Polar Ice**

**BREWED UNDER LICENSING  
AGREEMENT**

- 1. Carlsberg**
- 2. Sunlik**
- 3. Guang's Pineapple**
- 4. Guang's Draft**

## **IMPORTED/DISTRIBUTED**

- 1. Kirin Ichiban**
- 2. Samuel Adams**
- 3. Stella Artois**
- 4. Hoegaarden**
- 5. Beck's**
- 6. Lowenbrau**
- 7. Boddington's**
- 8. Budweiser**
- 9. Leffe**
- 10. James Boags**
- 11. Harbin**

**San Miguel Pure Foods Company, Inc. and Subsidiaries**  
**List of Products and/or Services as of December 31, 2013**

***San Miguel Foods, Inc.***

**POULTRY**

Live Broilers

Dressed Chicken (Wholes)

- Magnolia Fresh Chicken (Fresh Chilled & Frozen)
- Magnolia Spring Chicken (Fresh Chilled & Frozen)
- Magnolia Jumbo Chicken (Fresh & Frozen)
- Magnolia Free Range Chicken (Fresh & Frozen)
- Purefoods Supermanok (Fresh Chilled & Frozen)
- Housebrand and Unbranded Chicken (Fresh Chilled & Frozen)

Cut-ups

- Magnolia Chicken Cut-ups (Fresh Chilled & Frozen)
- Magnolia Chicken Station Cut-ups
- Magnolia Chicken Station Convenient Cuts
- Magnolia Chicken Breast & Leg Meat Yakitori
- Magnolia Chicken Quick Chix
- Housebrand and Unbranded Chicken Cut-ups

Marinated

- Magnolia Chicken Station Cook Easy products
- Magnolia Chicken Station Twist (Inasal Longganisa, Burger & Tapa)
- Magnolia Chicken Station Lite (Mango Maple, Citrus Burst, Italian & Pesto Balsamic Chicken Chunks)
- Magnolia Chicken Chicks for Every Juan (Apple Cinnamon, Pineapple Rosemary & Kiwi Chili)

Giblets

- Magnolia Chicken Giblets (Frozen Liver and Gizzard)

Export

- Frozen Chicken Yakitori
- Frozen Bone-in Chicken Cut-ups
- Frozen Deboned Chicken Cut-ups
- Magnolia Fresh Chicken Griller (Fresh & Frozen)
- Frozen Marinated Deboned Products

Brown Eggs

- Unbranded

**FRESH MEATS**

Monterey Meatshop

- Fresh Meats Primals (Pork, Beef, Lamb)
- Fresh Meats Individual Portion Cuts (Pork, Beef, Lamb)

Ready-to-Cook Marinated Meats or Timplados (Pork, Beef, Lamb)

Pork Patariffic

Pork Blood Trio

Crispy Feet

Pork Tenderloin Skewered BBQ

Burgers (BBQ, Teriyaki, Cheesy & Pizza)

Monterey Meatshop Burger Express (Bicol Express Burger Patty)

Montana Flavored Burgers (Fajita, Curry & Cajun Patty)

Monterey Longanisa Line (Garlic and Spicy Batutay Longanisa)

## **FEEDS**

Animal & Aquatic Feeds

Hog Feeds

B-MEG Premium Hog Pellets

B-MEG Dynamix Hog Feeds

Pureblend Hog Pellets

B-MEG Expert Hog Feeds

B-MEG Expert Premium Hog Feeds

Bonanza Hog Pellets

B-MEG Essential Hog Feeds

Jumbo Hog Mash

Maton

Poultry Feeds

B-MEG Premium Layer

Pureblend Layer

B-MEG Expert Layer

B-MEG Layer (Regular)

B-MEG Essential Layer

Pureblend Layer Breeder

B-MEG Premium Broiler

Pureblend Broiler

Pureblend Special Broiler

B-MEG Broiler (Regular)

B-MEG Essential Broiler

B-MEG Essential Broiler Breeder

B-MEG Kabir

Duck Feeds

B-MEG Duck Feeds

Pureblend Duck Feeds

Gamefowl Feeds

B-MEG Derby Ace

B-MEG Integra

B-MEG Integra Powermaxx

Jumbo Pullet Developer Pellets

- B-MEG Alertone Mixed Grains
- B-MEG Fighting Cock Pellets
- B-MEG Pigeon Pellets

#### Quail & Ostrich Feeds

- B-MEG Quail
- Pureblend Quail
- B-MEG Ostrich Breeder Pellets

#### Calf and Horse Feeds

- B-MEG Horse Pellets
- B-MEG Calf Pellets

#### Aquatic Feeds

- B-MEG Super Premium Floating Feeds
- B-MEG Premium Tilapia Pellets
- B-MEG Premium Bangus Pellets
- B-MEG Aquaration
- B-MEG Expert Fish Feeds
- B-MEG Prize Catch Floating Feeds
- B-MEG Prize Catch Extruded Sinking Feeds
- B-MEG Nutrifloat Floating Feeds
- B-MEG Nutrisink
- B-MEG CE-90 Shrimp Feeds
- B-MEG VN-21 Shrimp Feeds
- Pinoy Sinking Pellets
- Pinoy Floating Feeds

#### Concentrate

- B-MEG Hog Concentrate
- B-MEG Poultry Concentrate
- B-MEG Layer Concentrate
- B-MEG Pullet Concentrate
- B-MEG Cattle Concentrate
- B-MEG Goat Concentrate
- B-MEG Pig Protein Concentrate
- B-MEG Broiler Protein Concentrate

#### Animal Health Care Veterinary Medicines

##### Anti-infective - Water Soluble Preparation

- Amoxicillin 20%
- Cephalexin 20%
- Chlortetracycline 25%
- Cotrimoxazole 48%
- Doxycycline 20%
- Dox-C-Lin
- Dox-C-Trin Premium

##### Supplement/Vitamins - Water Soluble Preparation

- Electrolytes

- Multivitamins
- Multivitamins +Minerals + Amino Acids
- Vitamin B Complex for Broiler
- Vitamin B Complex for Breeder
- Vitamin E 50%

- Anti-Inflammatory/Anti-pyretic - Water Soluble Preparation
- Paracetamol 25%

- Dewormer/Anti-nematodal - Water Soluble Preparation
- Bulatigok SD
- Levamisole 20%

- Disinfectant
- Protect Plus

- Injectables
- Norotyl LA
- Alamycin LA
- Iron-Vet
- Norovit

- Oral Preparation
- First Pulse D
- Worm-X

- Feed Premixes
- Amoxicillin 10% and 20%
- Chlortetracycline 15%
- Tiamulin 10%
- Swine Mineral Premix
- Poultry Mineral Premix
- Swine Vitamin Premix
- Poultry Vitamin Premix
- Cotrimazine 48%

- Liquid Preparation
- Vitamin ADE
- Vitamin E 60%
- Norfloxacin 20%

- Vaccines
- Para Shield
- Parvo Sheild L5E
- Pneumostar SIV
- Pneumostar Myco
- Porcine Pili Shield
- Porcine Ecolizer 3

- Animal Health Care Veterinary Medicines
- Anti-infective - Water Soluble Preparation

Amoxicillin 20%  
Cephalexin 20%  
Chlortetracycline 25%  
Cotrimoxazole 48%  
Doxycycline 20%  
Dox-C-Lin  
Dox-C-Trin Premium

***San Miguel Mills, Inc.***

Hard Wheat Flour

King  
Emperor  
Monarch  
Pacific  
Harina de Pan de Sal

Soft Wheat Flour

Queen  
Countess  
Red Dragon

Specialty Flour

Baron All-Purpose Flour  
Baron Siopao Flour  
Princess Cake Flour  
Golden Wheat Whole Wheat Flour (Coarse & Fine)

Customized Flour

Royal Premium Noodle Flour  
Prince Miki Flour  
Prince Noodle Flour  
Prince Wrapper Flour

Premixes

Mix' n Bake  
Brownie Mix  
Crinkle Mix

Mix' n Steam  
Puto Mix

Retail Mixes

Magnolia Pancake Plus with Syrup (Maple, Chocolate, Strawberry)  
Magnolia Pancake & Waffle Mix  
Magnolia All Purpose Flour

Bakery Ingredients

Bake Best Bread Improver  
Bake Best Baking Powder  
Bake Best Instant Yeast

## Services

- Product Customization
- Recipe Development
- Technical Training in Flour Applications

## *The Purefoods-Hormel Company, Inc.*

### **REFRIGERATED MEATS**

#### Hotdogs

- Purefoods Tender Juicy Hotdog (Classic, Jumbo, Kingsize, Cocktail, Cheesedog, Chick 'n Cheese, Chick 'n Bacon, Chick 'n Chili)
- Purefoods Star Hotdog (Regular, Jumbo, Super Jumbo, Footlong, Cheezeedog, Chicken Franks)
- Purefoods Deli Franks (German, Angus Beef, Turkey, Cheese, Spicy Pepper Beef)
- Purefoods Deli Sausages (Bockwurst, Schublig, Hungarian Cheese)
- Purefoods Beefies Hotdog (Regular, Jumbo, Lots A Cheese)
- Purefoods Chick'N Tasty Chicken Hotdog (Regular, Jumbo, Cheese)
- Vida Hotdog (Regular, Jumbo, Mini-Regular)

#### Battered, Breaded & Fried

- Purefoods Fun Stuff Nuggets (Crazy Cut Shapes, Letters & Numbers, Bacon & Cheese, Chicken & Cheese, Pepperoni & Cheese, Cheese Overload, Christmas Nuggets)
- Purefoods Crisp 'n Juicy (Drumsticks - Classic, Buffalo-style, Chicken Burger, Fish Nuggets, Chicken Breast Nuggets, Wingers, Tonkatsu)
- Purefoods Star (Chicken Nuggets, Burger Bites, Crispy Burger)

#### Bacon

- Purefoods Honeycured Bacon (Regular, Thick Cut)
- Purefoods Maple-flavored Bacon
- Purefoods Lean 'N Mean Bacon
- Purefoods Bacon Crumble
- Hormel Black Label Bacon
- Vida Bacon
- Purefoods Honey Roast Bacon (Thick Cut)
- Purefoods Spicy Barbecue Bacon (Thick Cut)

#### Sliced Hams

- Purefoods Regular Ham (Sweet, Cooked, Chicken Ham)
- Purefoods Fiesta Ham Slices
- Purefoods Deli (Salami, Spiced Ham, Bologna, Farmers Ham, Roast Chicken Ham)
- Purefoods Star Sweet Ham
- Vida Sweet Ham

#### Whole Hams

- Purefoods Fiesta Ham (Classic, Smoked Bone-in Ham, Smoked Honeycured Ham, Smoked Chicken)
- Purefoods Jamon de Bola
- Purefoods Chinese Ham
- Purefoods Brick Ham

Purefoods Pear-Shaped Ham  
Jamon Royale

Ready-to-Cook/Ready-to-Eat  
Monterey Sisig  
Purefoods Tender Cuts (Asado, Estofado, Patatim)

Native Line  
Purefoods Pork Longanisa (Hamonado, Recado)  
Purefoods Tocino (Classic Pork, Sweet Chili)

## **GROCERY PRODUCTS**

Corned Meats  
Purefoods Corned Beef (Classic, Hash, Chili)  
Purefoods Chunkee Corned Beef  
Purefoods Carne Norte  
Purefoods Star Corned Beef  
Purefoods Star Carne Norte

Luncheon Meats  
Purefoods Luncheon Meat (Classic, BBQ, Chili Pepper)  
Purefoods Chinese Luncheon Meat  
Purefoods Beef Loaf  
Purefoods Chicken Luncheon Meat

Sausages  
Purefoods Vienna Sausage  
Purefoods Vienna Tidbits  
Purefoods Chicken Vienna Sausage

Canned Viands  
Purefoods Sizzling Delights (Sisig, Chicken Sisig, Bopis)  
Ulam King - (Asado, Caldereta, Lechon Paksiw, Menudo, Mechado)

Specialty Grocery Products  
Purefoods Liver Spread  
Purefoods Spaghetti Meat Sauce  
Purefoods Meaty Spaghetti Sauce  
Purefoods Chorizo Filipino

***Magnolia, Inc.***

## **BUTTER, MARGARINE & CHEESE**

Butter  
Magnolia Gold (Salted, Unsalted) and Magnolia Gold Lite  
Magnolia Butter-licious! (Classic, Garlic)

#### Refrigerated Margarine

Dari Crème (Classic, Buttermilk, Herb and Garlic, Bacon) and Dari Crème Lite  
Buttercup  
Baker's Best

#### Non-Refrigerated Margarine

Star Margarine (Classic, Sweet Blend, Garlic, Vanilla, Chocolate)  
Delicious Margarine  
Magnolia Non-Refrigerated Margarine (Food Service)

#### Cheese

Magnolia Cheezee (Block, Spread - Cheddar, Pimiento)  
Daily Quezo  
Magnolia Quickmelt  
Magnolia Cheddar  
Magnolia Cream Cheese (Block, Spread - Classic, Bacon)  
Magnolia Christmas Cheeseballs (Quezo de Bola, Gold Edam) - Seasonal  
Magnolia Cheese Sauce (Food Service)  
Magnolia Cheesefood (Food Service)  
Mozarella (Food Service)

### **JELLY SNACKS AND DESSERTS**

JellYace Fruiteez  
JellYace Bites  
JellYace Snackers (Regular, Twin Pack)  
JellYace Suki Pack/ Gara Jar/ Buhos Pack/ Pene Pack  
Magnolia Best Fruits Jam (Strawberry, Pineapple, Apple Cinnamon, Mango)

#### MILK

Magnolia Chocolait  
Magnolia Chocolait Choco Magic (Mocha, Strawberry, Rocky Road, Cookies & Cream)  
Magnolia Purefresh Natural Cow's Milk  
Magnolia Purefresh Low Fat Cow's Milk  
Magnolia Full Cream Milk

#### SPECIALTY OILS

Magnolia Nutri-Oil Coconut Oil  
Magnolia Nutri-Oil Palm Oil  
Magnolia Pure Oil  
Primex Shortening (Food Service)

#### ALL-PURPOSE CREAM

Magnolia All-Purpose Cream

#### SALAD AIDS (Food Service)

Magnolia Real Mayonnaise  
Magnolia Herb and Garlic Dip N' Dressing  
Magnolia Sandwich Spread  
Magnolia All-Purpose Dressing

## **ICE CREAM**

### **Bulk Ice Cream**

Magnolia Classic (Vanilla, Chocolate, Mocca, Strawberry, Ube, Mango, Caramel)  
Magnolia Classic Medley (Black & White, Dare Devil, Bumble Bee)  
Magnolia Gold Label (Double Dutch, Rocky Road, Cookies N' Cream, Dulce de Leche, Creamy Halo-Halo Delight, Ube Macapuno Swirl, Buko Salad Royale, Quezo Primero, Choco Chip Cookie Dough, Coffee Vienna, Buttery Sweet Corn)  
Magnolia Double Gold Label (Double Dutch and Choco Chip Cookie Dough, Ube Keso and Creamy Halo-Halo, Cookies N' Cream and Rocky Road, Double Dutch and Rocky Road, Double Dutch and Cookies & Cream, Ube Keso and Buttery Sweet Corn)  
Magnolia President's Tub (Butter Pecan, Blueberry Cheesecake, Vanilla Almond Fudge, Belgian Chocolate Truffle, Red Velvet)  
Magnolia Best of the Philippines (Ube Keso, Macapuno Banana, Macapuno Langka, Tsokolate Table, Coffee Crumble, Mangoes and Cream, Pinipig Pandan, Durian Pastillas, Caramel Cashew Tart, Strawberry Shortcake, Butterscotch, Kesong Puti, Coffee Mangosteen)  
Magnolia Sorbetes (Ube, Tsokolate, Keso)  
Magnolia No Sugar Added (Vanilla, Chocolate, Cheese, Cafe Latte)  
Magnolia Yogurt Ice Cream (Mango, Strawberry)

### **Frozen Novelties**

- Magnolia Spinner (Chocolate, Vanilla, Caramel, Hazelnut)

Magnolia Fizz (Rootbeer, Orange, Lemon Lime)  
Magnolia Cookie Monster (Chocolate, Choco Hazelnut, Caramel)  
Magnolia Party Cups (Vanilla, Chocolate, Ube, Mango)  
Magnolia Sweetie Bites (Cookie Craze, Cheesy Bliss)  
Magnolia Fun Bar (Choco Loco, Cool Bubblegum, Cotton Candy)  
Magnolia Popsies (Orange Chill, Choco Cool)  
Magnolia Pinipig Crunch (Vanilla Crisp, Sweet Corn)  
Magnolia K-Pop (Banana, Honeydew, Strawberry, Mango)  
Magnolia Yogurt Stick Ice Cream (Strawberry, Mango)

San Miguel Gold Label (For Export)  
SMGL Mellorine  
SMGL Frozen Dessert  
SMGL Ice Confectionery

***San Miguel Super Coffeemix Co., Inc.***

## **COFFEE**

San Mig Coffee Regular 3-in-1 Coffeemix- Original & Salo-Salo Pack  
San Mig Coffee Sugar Free 3-in-1 Coffeemix- Mild, Original & Strong  
San Mig Coffee Super Packs - Super, Brown, White, Chococino, Cremdensada & Honeycino  
San Mig Coffee 100% Premium Instant Black Coffee  
San Mig Coffee Pro-Health Line - Pro-Fiber & Pro-Slim  
San Mig Fastbreak

## **GREAT FOOD SOLUTIONS**

Poultry and Meats

#### Value-Added Meats

- Pizza Toppings
- Burgers and Patties
- Hotdogs and Deli Items
- Ready-to-Serve Viands

#### Flour and Dry Bakery Ingredients

- Basic Flour and Premixes
- Dessert mixes

#### Dairy, Fats and Oils

- Butter, Margarine and Cheese
- Mozzarella
- Sliced-on-Slice Cheese
- Sliced-on-Slice Cheese
- Skimmed Milk Powder
- Iberico Promace and Olive Oil

#### Coffee and Milk

#### GFS Services

- Marketing Services and Promotional Tie-Ups
- Product Customization
- Menu & Recipe Development
- Packaging Development
- Food Safety Trainings and Consultancy
- Quality Assurance Services
- Food Laboratory Analysis

### **FRANCHISING**

#### **Smokey's**

- Hotdogs (Bacon-wrapped Cheesedog, Chicken, Classic Style Frank 6", Hungarian Sausage, Jumbo Supreme, King Size Frank 12"/Footlong, Schublig)
- Burgers (Classic, Cheese, Chicago Style, Spicy Jalapeno, Bacon Cheesy Garlic Mushroom)
- Pizzas (Bacon, Hawaiian, Pepperoni)
- Toppings (Bacon Bits, Chili Sauce, Jalapeno Sauce, Sauteed Garlic Mushroom, Salsa)

#### **Hungry Juan**

- Roasts (Sweet Garlic, Inasal - Chicken & Liempo)
- Juanito's Pritos (24pcs cut fried chicken)
- Single Serve (Pork BBQ Skewered, Chicken Isaw, Sisig)
- Rice Meals (Roast Chicken, Roast Liempo, BBQ Belly, Sisig, Bangus Belly, Pork BBQ Skewered, Juanitos Pritos)
- Quick Meals (Tapa, Beef Caldereta, Korean Beef Stew, Corned Beef, Adobo Flakes, Lechon Paksiw)
- Family Feast
- Barkada Blow-out

#### **San Mig Food Ave.**

- Convenient Store
- Ready-to-eat Products

***P.T. San Miguel Pure Foods Indonesia***

**Bakso (Meat Balls)**

Farmhouse  
Vida

**Sausages**

Farmhouse (Beef, Chicken, Beef Cocktail, Beef Frankfurter, Beef Wiener, Fried Beef, Fried Chicken, Jumbo Fried Beef, Hot & Spicy, Cheese, Beef Frankfurter, Beef Wiener)

FunKidz Chubbies (Cheese)  
Purefoods Choice (Chicken, Beef, Jumbo, Beef Weiner, Beef Black Pepper, Beef Pepper, Chicken Pepper, Fried Beef, Fried Chicken, Cheese, Jumbo, Fried Beef, Hot & Spicy)

Vida (Chicken, Beef, Frank, Wiener, Fried Sosis Goreng)

Vida Saving (Beef, Chicke)

Retort Sausage  
Vida Cociz (Chicken, Ready-to-Eat)

Cold Cuts  
Farmhouse (Beef Pepperoni, Chicken Roll, Garlic Salami, Smoked Beef, Smoked Beef Block, Smoked Chicken, Smoked Chicken Roast)

Purefoods Choice (Chicken Chunk, Sliced Chicken Chunk, Minced Beef BBQ, Minced Chicken Teriyaki, Meat Block Papz, Smoked Beef FS)

**Luncheon Burger**

Farmhouse (Chicken, Beef, Cheese Burger)  
Purefoods Choice (Chicken, Beef, Bakery Burger)

Vida (Beef, Mini)  
Vida Saving (Beef)

**Value Added**

Farmhouse Corned Beef

**Services**

Customization

**San Miguel Hormel (Vn) Co., Ltd.**

Feeds Business  
BMEG (Hog, Poultry, Cattle)  
Pureblend (Hog, Poultry)

Live Pigs

Value-Added Meats

Le Gourmet (Bacon, Ham, Sausages, Traditional Meats, Pate)

Dua Moc (Traditional Meats)

**GINEBRA SAN MIGUEL INC.**  
**LIST OF PRODUCTS**  
**AS OF DECEMBER 31, 2013**

**ALCOHOLIC BEVERAGES**

1. GINEBRA SAN MIGUEL
2. GINEBRA SAN MIGUEL FLAVORS - Dalandan and Melon
3. GINEBRA SAN MIGUEL PREMIUM GIN
4. G.S.M. BLUE
5. G.S.M. BLUE LIGHT
6. G.S.M. BLUE FLAVORS - Apple, Lychee, Mojito and Brown Coffee
7. GRAN MATADOR BRANDY SOLERA RICH & SMOOTH
8. GRAN MATADOR LIGHT
9. GRAN MATADOR BRANDY SOLERA GRAN RESERVA
10. ANTONOV VODKA MIXED DRINK - Apple, Ice, Mandarin Orange, Kamikaze, Cosmopolitan and Ginger Ale
11. ANTONOV VODKA
12. ANTONOV VODKA SCHNAPPS - Currant and Espresso
13. DON ENRIQUE MIXKILA DISTILLED SPIRIT
14. MIXX MIXER - Grenadine, Triple Sec, Lime Juice and Blue Curacao
15. VINO KULAFU

**NON-ALCOHOLIC BEVERAGES**

1. MAGNOLIA FRUIT DRINK - Orange, Grape, Pineapple, Lemon, Apple and Strawberry
  2. MAGNOLIA HEALTH TEA - Apple, Lemon and Strawberry
  3. MAGNOLIA LIFEDRINK - Four Seasons and Papaya
  4. MAGNOLIA PUREWATER
  5. MAGNOLIA POWDERED JUICE - Orange Mango, Calamansi, Lemonade, Grape, Orange and Pineapple
  6. MAGNOLIA POWDERED TEA - Apple, Lemon and Mango
  7. BERRI - Apple, Dark Grape, Orange, Tomato, Cranberry, Apple Pear, Apple Cranberry, Grape, Multi-V, Morning Start, Breakfast Folate, Breakfast Fiber, Breakfast Antioxidants and Pink Guava  
*(Imported from Lion Dairy & Drinks formerly National Foods Australia)*
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# PETRON PRODUCT LIST

## FUELS

### ***Automotive Fuels***

Petron Blaze 100 Euro 4  
Petron XCS  
Petron Xtra Advance  
Petron Super Xtra  
Petron Turbo Diesel  
Petron Diesel Max  
Petron Xtend Autogas

### ***Industrial Fuels***

Petron Fuel Oil  
IF-1  
LSFO-1  
Intermediate Fuels  
Special Fuel Oils  
Petron Industrial Diesel Fuel

### ***Aviation Fuels***

Aviation Gasoline  
Jet A- I

### ***Household Fuels***

Gasul  
Gaas

## AUTOMOTIVE LUBRICATING OILS

### ***Diesel Engine Oils***

Rev-X All Terrain  
Rev-X Trekker  
Rev-X Hauler  
Rev-X Pantra  
Rev-X HD  
Petron 2040  
Petron Railroad Extra

### ***Gasoline Engine Oils***

Ultron Race  
Ultron Rallye  
Ultron Touring  
Ultron Extra  
Petron MO

### ***Motorcycle Oils***

Petron Sprint 4T Racer  
Petron Sprint 4T Enduro  
Petron Sprint 4T Rider  
Petron Sprint 4T Extra  
Petron Sprint 4T Econo  
2T Premium  
2T Enviro  
2T Autolube  
2T Powerburn

### ***Automotive Gear Oils***

Petron GX  
Petron GEP  
Petron GST

### ***Automotive Transmission Fluids***

Petron ATF Premium  
Petron TF 38  
Petron TDH 50

## **INDUSTRIAL LUBRICATING OILS**

### ***Turbine, Hydraulic and Circulating Oils***

Hydrotur AWX  
Hydrotur AW  
Hydrotur AW (GT)  
Hydrotur EP 46  
Hydrotur N 100  
Hydrotur R  
Hydrotur SX 32  
Hydrotur SX 68

Hydrotur T  
Hydrotur TEP

### ***Industrial Gear Oils***

Hydrotur SX 220  
Hypex EP (Oil-Based)  
Hypex EP (Asphalt-Based)  
Milrol 5K  
Gearfluid  
Gearkote  
Petrocyl S  
Petrocyl

### ***Cutting Oils***

Turnol 40  
Petrokut 10  
Petrokut 27

### ***Refrigeration Oils***

Zerflo 68  
Zerflo P68  
Suniso 3GS  
Suniso 4GS

### ***Transformer Oil***

Voltran 60

### ***Spindle Oils***

Spinol 15  
Spinol 10E

### ***Slideway Oil***

Hydrotur SW 68

### ***Other Industrial Lubricating Oils***

Petron Airlube  
Petrosine 68

## **MARINE LUBRICATING OILS**

### ***Crosshead Engine Cylinder Oils***

Petromar DCL 7050  
Petromar DCL 4000 Series

### ***Trunk Piston Engine Oils***

Petromar XC 5540  
Petromar XC 5040  
Petromar XC 4040  
Petromar XC 3000 Series  
Petromar XC 2000 Series  
Petromar XC 1500 Series  
Petromar XC 1000 Series  
Petron MS 9250  
Petron MS 9370

### ***Crosshead Engine System Oil***

Petromar 65

### ***Small Inboard 4stroke Marine Engine Oils***

Petromar HD Marine Series  
Petron Marine HD Oil

### ***Marine outboard 2-stroke oil***

Petron Regatta

## **GREASES**

### ***Multi-purpose Greases***

Petrogrease MP  
Molygrease Premium  
Petrogrease Premium

### ***Water Resistant Grease***

Petrogrease XX

### ***Extreme Pressure Greases***

Petrogrease EP  
Molygrease EP2  
Molygrease EP 1P and EP 2P  
Petrogrease EP 375

### ***High Temperature Greases***

Petrogrease HT

### ***Complex Greases***

Petron Premium Lithium Complex

## **ASPHALTS**

### ***Penetration Asphalt***

Petropen

### ***Cutback Asphalt***

Petropen CB

### ***Emulsified Asphalt***

Petromul SS-1  
Petromul CSS -1

### ***Blown Asphalts***

Asphaltseal  
Asphalt Joint Sealer

### ***Polymer Modified Bitumen***

Petron Polymer Modified Bitumen

## **SPECIAL PRODUCTS**

### ***Process Oils***

Process Oils  
Stemol  
Stemol 300  
Petrosine 68  
Jute Batching Oil  
Aldro Oil 460

### ***Heat Transfer Oil***

Petrotherm 32

### ***Cleaning Agent***

Greasolve

### ***Flushing Oil***

STM

### ***Sealing Lubricant***

Dust Stop Oil

### ***Protective Coatings***

Petrokote 500  
Petrokote 392  
Marinekote  
Marinekote SS  
Autokote  
Cablelube  
Cablekote

### ***Others***

Petron Farm Trac Oil  
Aldro Oil 460  
**Bull's Eye** Gun Oil

## **AFTERMARKET SPECIALTIES**

### ***PetroMate Specialties***

PetroMate Oil Saver  
PetroMate Oil Improver  
PetroMate Gas Saver  
PetroMate Diesel Power Booster  
PetroMate Engine Flush  
PetroMate Super Coolant  
PetroMate **Clean N' Shine**  
PetroMate Penetrating Oil  
PetroMate Greaseaway  
PetroMate Brake and Clutch Fluid  
PetroMate Carbon Buster

## **AVIATION LUBRICANTS**

Braycote 622  
Nyco Grease GN 22  
Hydraunycoil FH 51  
Royco 481  
Aviation Oil Elite 20W-50  
Exxon Turbo Oil 2389  
Exxon Turbo Oil 2380  
Turbonycoil 35 M  
Turbonycoil 600

## **PERFORMANCE ADDITIVES**

### ***Combustion Improver***

pChem 69F  
pChem 200F  
pChem 3500  
pChem 3500F

### ***Deposit Control***

pChem 140M

### ***Corrosion Inhibitor***

pChem 3500MF

### ***Fuel Stabilizer & Dispersant***

pChem 500FS  
pChem 500SX  
pChem 1000

### ***Multifunctional Additives***

pChem 100X  
pChem 3500M

LIST OF PRODUCTS AND SERVICES OF  
THE SAN MIGUEL YAMAMURA PACKAGING GROUP  
As of December 31, 2013

Products

- Glass containers
- Glass molds
- Plastic bottles and preforms
- Plastic closures
- Plastic crates and pallets
- Plastic tubes
- Plastic floorings
- Plastic pails and tubs
- Plastic films
- Flexible packaging
- Metal closures
- Two-piece aluminum cans
- Corrugated cartons
- Paperboard
- Industrial laminates
- Radiant barriers
- Woven polypropylene/kraft sacks

Services

- Crate and pallet leasing
- Beverage filling
- Graphics design
- Packaging development and consultation
- Contract packaging
- Trading

**San Miguel Properties, Inc. and Subsidiaries**  
**List of Projects**  
**as of December 31, 2013**

<b>Project Name</b>	<b>Location</b>
Dover Hill	Addition Hills, San Juan, Metro Manila
One Dover View	Addition Hills, Mandaluyong City
Two Dover View	Addition Hills, Mandaluyong City
Sixto Townhomes	Sixto Ave., Pasig City
Maravilla	Gen. Trias, Cavite
Bel-Aldea	Gen. Trias, Cavite
Asian Leaf	Gen. Trias, Cavite
Wedge Woods (Excel)	Silang, Cavite
Makati Diamond Residences	Makati City
Villa de Calamba (LHI)	Calamba, Laguna
Primavera Hills (LHI)	Liloan, Cebu
Buenavista Homes (LHI)	Jugan, Cebu

The Company has leasable properties in the following areas:

<b>Type of Property Leased</b>	<b>Location</b>	
	<b>City/Municipality</b>	<b>Street/Building</b>
Office building including land	Pasig City	Meralco Avenue / 808 Building
Office spaces (various floors)	Mandaluyong City	St. Francis St. / San Miguel Properties Centre
Office building including land	Mandaluyong City	San Miguel Avenue / SMC Head Office Complex
Office spaces (various floors)	Makati City	EDSA / EL Tower
Office spaces (various floors)	Mandaluyong City	155 EDSA / SMITS Building
Warehouse	South Cotabato	Polomok
Land	Cauayan, Isabela	

ANNEX “B”

TOP FRONTIER INVESTMENT HOLDINGS, INC.  
2013  
COLLECTIVE BARGAINING AGREEMENTS

**SAN MIGUEL BREWERY INC.**

	Installation / Description	Expiration		Union
		Economic	Representation	
1	GMA - Dailies	June 30, 2016	July 12, 2015	Concerned Workers of SMC - Polo Brewery
2	GMA - Monthlies	June 30, 2016	June 30, 2014	SMBI Employees Union (SMBIEU) - PTGWO
3	SFB - Dailies	February 15, 2014	February 15, 2015	San Fernando Brewery Employees Union (SFBEU)
4	SFB - Monthlies	December 31, 2013	December 31, 2014	San Miguel Brewery Inc. Employees Union (SMBIEU)
5	GMA Sales Force Union	January 31, 2014	January 31, 2015	New San Miguel Corporation Sales Force Union
6	Bacolod Dailies Union	July 31, 2016	April 27, 2014	San Miguel Brewing Group-Bacolod Brewery Employees Union (SMBG-BBEU)
7	Bacolod Monthlies Union	October 31, 2016	October 31, 2014	Philippine Agricultural, Commercial and Industrial Workers Union-Trade Union Congress of the Philippines (PACIWU-TUCP)
8	Mandaue Dailies Union	December 31, 2014	December 31, 2015	Kahugpongman Sa Ligdong Mamumu-O (KLM)
9	Davao Dailies Union	November 30, 2015	November 30, 2017	San Miguel Davao Brewery Employees Independent Union

**SAN MIGUEL BREWERY INTERNATIONAL LIMITED**

	Installation / Description	Expiration		Union
		Economic	Representation	
1	San Miguel Brewing Vietnam Limited	December 31, 2014		SMBVL Trade Union
2	PT Delta Djakarta Tbk	N/A		PTD Trade Union
3	Guangzhou San Miguel Brewery Co. Ltd.	January 03, 2014	negotiations ongoing	Trade Union Committee of Guangzhou San Miguel Brewery Co. Ltd.
4	San Miguel Guangdong Brewery Co.	June 25, 2013	negotiations ongoing	SMGB Trade Union Committee
5	San Miguel Baoding Brewery Co., Ltd.	June 30, 2013	negotiations ongoing	SMBB Trade Union

**SAN MIGUEL FOOD GROUP**

	Installation / Description	Expiration		Union
		Economic	Representation	
	<b>MAGNOLIA INC.</b>			
1	Dailies Union	Feb. 28, 2014	Feb. 28, 2015	Progressive Workers' Union (PWU) IBM Local 47 - <b>KMU</b>
	<b>SAN MIGUEL FOODS INC.</b>			
2	GMA Monthlies Union	Dec. 31 2016	October 22, 2016	SMFI Employees Union (SMFIEU) - <b>PTGWO</b>
3	Sta. Rosa Monthlies Union	Dec. 31 2016	June 30, 2016	Magnolia Poultry Employees Union - <b>PTGWO</b>
	<b>SAN MIGUEL MILLS, INC.</b>			
4	Mabini Batangas Flour Mill Employees Union (Monthlies/Dailies)	Dec. 31 2006	July 31, 2017	Purefoods Corporation Flour Mill Employees Union (PFMEU) - <b>Independent</b>
	Installation / Description	Expiration		Union
		Economic	Representation	
	<b>PT SAN MIGUEL PURE FOODS INDONESIA</b>			
1	NS 1-4	Dec. 31, 2013	negotiations ongoing	Federation of Union Labour Indonesia, Sector Cigarette, Tobacco, Food and Beverages
	<b>SAN MIGUEL HORMEL VIETNAM CO.</b>			
2	All employees	Dec. 31, 2013	negotiations ongoing	Trade Union Foundation of SMHVN

**SAN MIGUEL YAMAMURA PACKAGING CORPORATION**

	INSTALLATION	EXPIRATION		UNION
		ECONOMIC	REPRESENTATION	
	<b>SMC YAMAMURA FUSO MOLDS CORPORATION</b>			
1	Monthlies Union	December 31, 2015	December 31, 2013	SMC Yamamura Fuso Molds Monthlies Union - PTGWO
	<b>SAN MIGUEL YAMAMURA CORPORATION</b>			
2	<b>Main Office Union</b>			Dissolve on June 10, 2013
3	Manila Plastics Plant-Monthlies	June 30, 2016	June 30, 2018	SMYPC-PTGWO-Local 888
4	Manila Glass Plant-Dailies	June 30, 2016	Feb. 26, 2018	Concerned Workers of SMPSI-Manila Glass Plant
5	Manila Glass Plant-Monthlies	June 30, 2016	June 30, 2018	SMYPC Employees Union - MGP - AGLO
6	Metal Closure & Lithography Plant-Dailies	June 30, 2016	June 30, 2012	SMPSI-MCLP-Progressive Union-IBM
7	Metal Closure & Lithography Plant-Monthlies	June 30, 2016	June 30, 2018	SMYPC-PTGWO-Local 890
	<b>MINDANAO CORRUGATED FIBREBOARD INC.</b>			
8	Monthlies Union	Dec. 31, 2013	Dec. 31, 2012	Mincorr Independent Workers Union (MIWU)
	<b>SAN MIGUEL PACKAGING SPECIALISTS, INC.- CANLUBANG PET &amp; CAPS PLANT</b>			
9	Monthlies Union	Dec. 31, 2013	June 13, 2012	SAMAHAN ng MALAYANG MANGGAGAWA sa BPSI-Can
	<b>SMYPC - METAL CONTAINER PLANT</b>			
10	Monthlies Union	Dec. 31, 2013	Dec. 31, 2014	Kristiyanong Organisasyon ng Manggagawa sa San Miguel Yamamura Ball Corporation (Kristong Manggagawa-SMYBC) - Inc.
	<b>SMC YAMAMURA ASIA CORPORATION</b>			
11	Monthlies Union	Dec. 31, 2013	April 01, 2013	Buo Organisadong Samahan ng Empleyado sa SMYAC-Independent (BOSES-SMYAC)
	<b>RIGHTPAK INTERNATIONAL CORPORATION</b>			
12	Monthlies Union	May 31, 2014	May 31, 2017	Rightpak Employees Union-PTGWO
	<b>SMYPC-MANDAUE PACKAGING PLANTS (Glass, MCLP,Power)</b>			
13	Dailies Union	Dec. 31, 2014	Dec. 31, 2015	Kahugpong Sa Ligdong Mamumuo-SMPSI Mandaue (KLM-SMPSI Mandaue)

**GINEBRA SAN MIGUEL INC. (GSMI)**

	PLANT	EXPIRATION		Union
		Economic	Representation	
1	Cebu Plant (Dailies)	31-Jan-15	31-Jan-15	Free Workers Association
2	Cabuyao Plant (Dailies)	31-Jan-16	31-Jan-16	Independent. Nagkakaisang Manggagawa ng LTDI
3	Sta Barbara Plant (Dailies)	31-Dec-13	31-Jan-15	CIO-ALU. Nagkakaisang Manggagawang LTDI-CIO-ALU
4	Sta Barbara Plant (Monthlies)	31-Dec-13	31-Mar-15	Independent. La Tondena Distillers Inc. Workers (LATODIWU)
5	Distilleria Bago Inc.-(Monthlies)	31-Dec-13	31-Dec-13	(CIO - DBEU) - Congress of Independent Organizations Distilleria Bago Employees Union - August 26, 2012

**PETRON CORPORATION**

	Installation / Description	Expiration		Union
		Economic	Representation	
1	Petron Corporation-HOC, depots	12/31/2014	12/31/2016	Petron Employees Association (PEA - NATU)
				Affiliated with the National Association of Trade Unions
2	Petron Corporation-Pandacan	12/31/2013	12/31/2013	Petron Employees Labor Union (PELU - PTGWO)
				Affiliated with the Philippine Transport and General Workers Organization
3	Petron Corporation-Bataan	12/31/2013	12/31/2013	Bataan Refiners Union of the Philippines (BRUP)

## ANNEX “C”

TOP FRONTIER INVESTMENT HOLDINGS, INC.

2013

PRINCIPAL PROPERTIES

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>BEVERAGE BUSINESS</b>							
<b>1</b>	<b>SAN MIGUEL BREWERY, INC.</b>						
	<b>A. DOMESTIC</b>						
	<b>Breweries</b>						
	Polo Brewery	Marulas, Valenzuela City, Metro Manila	Owned	Good			
	San Fernando Brewery	Brgy. Quebiawan, McArthur Highway, San Isidro, San Fernando, Pampanga	Owned	Good			
	Sta. Rosa Brewery	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Bacolod Brewery	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Mandaue Brewery	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Davao Brewery	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	<b>Sales/Area Offices and Warehouses</b>						
	Central North Luzon Area	SMC Complex, Brgy. Quebiawan, McArthur Highway, San Fernando, Pampanga	Owned	Good			
	Central North Luzon Area	Carmen East, Rosales, Pangasinan	Owned	Good			
	Central North Luzon Area	Caranglaan Dist., Dagupan City, Pangasinan	Owned	Good			
	Central North Luzon Area	Naguilian Road, San Carlos Heights, Brgy. Irisan, Baguio City, Benguet	Owned	Good			
	Central North Luzon Area	Pennsylvania Ave., Brgy. Madayegdeg, San Fernando, La Union	Owned	Good			
	Central North Luzon Area	Brgy. San. Fermin, Cauayan, Isabela	Owned	Good			
	Central North Luzon Area	National Road, Brgy. Mabini, Santiago City, Isabela	Owned	Good			
	Central North Luzon Area	San Andres St., San Angelo Subdivision, Sto. Domingo, Angeles City, Pampanga	Owned	Good			
	Central North Luzon Area	Maharlika Road, Bitas, Cabanatuan City, Nueva Ecija	Owned	Good			
	Central North Luzon Area	Brgy. 22, San Guillermo, San Nicolas, Ilocos Norte	Owned	Good			
	Central North Luzon Area	Brgy. Tablac, Candon City, Ilocos Sur	Owned	Good			
	Central North Luzon Area	Maharlika Highway, Brgy. Sta Maria, Lallo, Cagayan	Owned	Good			
	Central North Luzon Area	Cagayan Valley Rd., Brgy. Sta. Cruz, Guiguinto, Bulacan	Owned	Good			
	Central North Luzon Area	Gapan-Olongapo Rd., Poblacion San Isidro, Nueva Ecija	Owned	Good			
	Central North Luzon Area	Cabanatuan S.O. - No. 140, Bitas, Cabanatuan City	Land & Building-Rented	Good	71,713.32	January 31, 2014	Renewable upon mutual agreement of both parties.
	Central North Luzon Area	#578 P. Burgos St. Cabanatuan City, Nueva Ecija	Land & Building-Rented	Good	31,403.79	May 31, 2015	Renewable upon mutual agreement of both parties
	Greater Manila Area North	A. Cruz St., Brgy. 96, Caloocan City	Owned	Good			
	Greater Manila Area North	Honorio Lopez Blvd., Guidote St., Tondo, Manila	Owned	Good			
	Greater Manila Area North	Brgy. Mangga, Cubao, Quezon City	Owned	Good			
	Greater Manila Area North	Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Owned	Good			
	Greater Manila Area North	Quirino Highway, Novaliches, Quezon City, Metro Manila	Owned	Good			
	Greater Manila Area North	Tondo S.O. - Guidote St., Tondo Manila	Land-Rented	Good	63,577.11	October 15, 2015	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Valenzuela S.O. - Bldg. 23 Plastic City Cpd., #8 T. Santiago St., Brgy. Canumay, Valenzuela City, Metro Manila	Land & Land Improvement-Rented	Good	266,932.05	April 30, 2014	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Novaliches S.O. - Quirino Highway, Novaliches, Quezon City, Metro Manila	Land & Buildings-Rented	Good	666,474.00	December 31, 2015	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Bottle Segregation Site - Maysilo, Malabon	Open Space-Rented	Good	100,000.00	September 30, 2016	Renewable upon mutual agreement of both parties
	Greater Manila Area North	Bottle Segregation Site - #8002 Industrial Road, Gov. Pascual Ave. Portrero, Malabon	Open Space-Rented	Good	171,000.00	July 31, 2015	Renewable upon mutual agreement of both parties
	Greater Manila Area South	Brgy. 425, Zone 43, Sampaloc District, Manila	Owned	Good			
	Greater Manila Area South	M. Carreon St., Brgy. 864, Sta. Ana District, Manila	Owned	Good			
	Greater Manila Area South	Manila East Rd., Brgy. Dolores, Taytay, Rizal	Owned	Good			
	Greater Manila Area South	No. 100 Bernabe Subd., Brgy. San Dionisio, Sucat, Parañaque City, Metro Manila	Owned	Good			
	Greater Manila Area South	Mercedes Ave., Pasig City, Metro Manila	Owned	Good			
	Greater Manila Area South	Pasig S.O. - Mercedes Ave., Pasig City, Metro Manila	Land & Warehouse-Rented	Good	761,893.60	December 31, 2014	Renewable upon mutual agreement of both parties
	South Luzon Area	Silangan Exit, Canlubang, Calamba City, Laguna	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Isabang, Lucena City, Quezon	Owned	Good			
	South Luzon Area	Maharlika Highway, Brgy. Villa Bota, Gumaca, Quezon	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	South Luzon Area	Maharlika Highway, Brgy. Concepcion Grande Pequeña, Naga City, Camarines Sur	Owned	Good			
	South Luzon Area	Brgy. Mandaragat, Puerto Princesa City, Palawan	Owned	Good			
	South Luzon Area	Aurora Quezon and Calderron St., Brgy. Labangan, San Jose, Occidental Mindoro	Owned	Good			
	South Luzon Area	Brgy. Lankaan II, Governor's Drive, Dasmariñas, Cavite	Owned	Good			
	South Luzon Area	National Rd., Brgy. Balagtas, Batangas City, Batangas	Owned	Good			
	South Luzon Area	Ayala Highway, Brgy. Balintawak, Lipa City, Batangas	Owned	Good			
	South Luzon Area	Tirona Highway, Habay, Bacoar, Cavite	Owned	Good			
	South Luzon Area	T. de Castro St., Zone 8, Bulan, Sorsogon	Owned	Good			
	South Luzon Area	Matungao, Tugbo, Masbate City	Owned	Good			
	South Luzon Area	Brgy. Bulilan Norte, Pila, Laguna	Owned	Good			
	South Luzon Area	Legazpi S.O. - Tahao Street, Bgy. Gogon, Legaspi City, Bicol	Land, Building & Land Improvements-Rented	Good	290,400.00	December 31, 2016	Renewable upon mutual agreement of both parties
	South Luzon Area	Dasmariñas S.O. - Brgy. Langkaan II, Governors Drive, Dasmariñas, Cavite	Warehouse-Rented	Good	315,534.58	January 31, 2014	Renewable upon mutual agreement of both parties
	South Luzon Area	Bacoar S.O. - Tirona Highway, Habay 1, Bacoar, Cavite	Warehouse-Rented	Good	191,391.86	March 31, 2015	Renewable upon mutual agreement of both parties
	South Luzon Area	Bulan S.O. - T. de Castro St., Zone 8, Bulan, Sorsogon	Warehouse-Rented	Good	44,642.86	January 31, 2014	Renewable upon mutual agreement of both parties
	South Luzon Area	Masbate S.O. - Magtungao, Tugbo, Masbate City	Warehouse-Rented	Good	77,142.86	January 31, 2015	Renewable at the option of the lessee
	South Luzon Area	Pila S.O. - Brgy. Bulilan Norte, National Highway, Pila, Laguna	Warehouse-Rented	Good	267,857.14	September 30, 2015	Renewable upon mutual agreement of both parties
	South Luzon Area	Sitio Aratan, Brgy. Pulong, Sta. Cruz, Sta. Rosa, Laguna	Warehouse-Rented	Good	54,000.00	June 30, 2014	Renewable upon mutual agreement of both parties
	Negros	Brgy. Granada, Sta. Fe, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Muelle Loney St., Brgy. Legaspi, Iloilo City	Owned	Good			
	Negros	National Hi-way, Brgy. 4, Himamaylan City, Negros Occidental	Owned	Good			
	Negros	Flores St., Brgy. Sum-Ag, Bacolod City, Negros Occidental	Owned	Good			
	Negros	Brgy., Camansi Norte, Numancia, Aklan	Owned	Good			
	Negros	Brgy. Libas, Roxas City, Capiz	Owned	Good			
	Negros	Brgy. Pulang Tubig, Dumaguete City	Owned	Good			
	Negros	Dumaguete Region Office - Brgy. Pulang Tubig, Dumaguete City	Land Improvement-Rented	Good	38,223.43	January 01, 2015	Renewable at the option of the lessee
	Negros	Dumaguete S.O. - Brgy. Pulang Tubig, Dumaguete City	Warehouse-Rented	Good	93,783.06	September 30, 2014	Renewable upon mutual agreement of both parties
	Negros	Bottle Segregation Site - Burgos Extension, Sta. Fe, Brgy. Granada, Bacolod City Warehouse	Warehouse-Rented	Good	30,000.00	April 30, 2014	Renewable upon mutual agreement of both parties
	Visayas	National Highway, Brgy. Tipolo, Mandaue City	Owned	Good			
	Visayas	Access Rd., Fatima Village, Brgy. 73 (formerly part of Brgy. Sagcahan), Tacloban City, Leyte	Owned	Good			
	Visayas	Samar Region Office - San Bartolome St., Catbalogan, Samar	Office Space-Rented	Good	25,000.00	September 30, 2014	Renewable upon mutual agreement of both parties
	Visayas	Tagbilaran S.O. - BTH Warehouse, Tomas Cloma Ave., Taloto District, Tagbilaran City, Bohol	Warehouse-Rented	Good	75,000.00	February 28, 2014	Renewable upon mutual agreement of both parties
	Visayas	A. Del Rosario Ave., Brgy. Tipolo, Mandaue City	Owned	Good			
	Visayas	Fatima Village, Tacloban City, Leyte	Land-Rented	Good	15,851.15	June 30, 2014	Renewable upon mutual agreement of both parties
	Mindanao	Brgy. Darong Sta. Cruz, Davao del Sur	Owned	Good			
	Mindanao	Ulas Crossing, Ulas, Davao City	Owned	Good			
	Mindanao	National Highway, Brgy. Magugpo, Tagum City	Owned	Good			
	Mindanao	Sergio Osmeña, Brgy. Poblacion, Koronadal City	Owned	Good			
	Mindanao	National Highway, Brgy. Lagao, Gen. Santos City	Owned	Good			
	Mindanao	National Highway, Brgy. Luyong Bonbon, Opol, Misamis Oriental	Owned	Good			
	Mindanao	R.T. Lim Blvd., Baliwasan, Zamboanga City	Owned	Good			
	Mindanao	Brgy. Mangangoy, Bislig City, Surigao del Sur (building only)	Owned	Good			
	Mindanao	Brgy. Bongtod, Tandag City, Surigao del Sur	Owned	Good			
	Mindanao	J.P. Rizal Ave., Poblacion, Digos City	Owned	Good			
	Mindanao	National Highway, Sta. Felomina, Dipolog City	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Mindanao	Pandan, Sta. Filomena, Iligan City	Owned	Good			
	Mindanao	Baybay, Liloy, Zamboanga del Norte	Owned	Good			
	Mindanao	Butuan Region Office - Fort Poyohan, Molave St., Butuan City, Agusan del Norte	Land & Land Improvement-Rented	Good	75,148.59	May 31, 2015	Renewable upon mutual agreement of both parties
	Mindanao	Ozamis Region Office - Bonifacio St., Lam-an, Ozamis City, Misamis Occidental	Land & Building-Rented	Good	87,867.20	August 31, 2022	Renewable upon mutual agreement of both parties
	Mindanao	Iligan S.O. - Pandan, Sta. Filomena, Iligan City	Warehouse-Rented	Good	62,500.00	September 30, 2014	Renewable upon mutual agreement of both parties
	Mindanao	Liloy S.O. - Baybay, Liloy, Zamboanga del Norte	Warehouse-Rented	Good	44,642.86	September 30, 2014	Renewable upon mutual agreement of both parties
	Mindanao	Dipolog S.O. - Sta. Filomena, Dipolog City	Warehouse-Rented	Good	50,892.86	September 30, 2014	Renewable upon mutual agreement of both parties
	<b>Terminal</b>						
	Bataan Malt Terminal (land, building, machineries & equipment, furnitures & fixtures)	Mariveles, Bataan	Building & Facilities- Owned; Land-Rented	Good	534,279.76	April 30, 2025	Renewable upon mutual agreement of both parties
	<b>Investment Properties</b>						
		Brgy. Estefania, Bacolod City T-343646	Owned	Good			
		No. 31 Rosario St., Brgy. Granada, Bacolod City	Owned	Good			
		Brgy. Penabatan, Pulilan, Bulacan	Owned	Good			
		L26 B11, Brgy. Sto.Domingo, Sta.Rosa, Laguna	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2011004583)	Owned	Good			
		Brgy. Estefania, Bacolod City (T-342729)	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2012002536)	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2012002535)	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2012003076)	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2012004929)	Owned	Good			
		Brgy. Estefania, Bacolod City (TCT 092-2013001438)	Owned	Good			
		No. 047 Brgy. Estefania, Bacolod City (TCT 092-2011010662)	Owned	Good			
		Jaro, Iloilo 095-2013000758	Owned	Good			
		Jaro, Iloilo 095-2013000759	Owned	Good			
	<b>Head Office</b>						
	Office Space	40 San Miguel Ave., Mandaluyong City	Owned	Good			
	<b>B. INTERNATIONAL</b>						
	<b>Breweries</b>						
	San Miguel Beer (Thailand) Ltd.	89 Moo2, Tivanon Rd., Baan Mai, Muang , Pathumtani 12000, Thailand	Owned	Good			
	PT Delta Djakarta Tbk	Jalan Inspeksi Tarum Barat Desa Setia Darma Tambun Bekasi Timur 17510, Indonesia	Owned	Good			
	San Miguel Brewery Hong Kong Limited	22 Wang Lee Street, Yuen Long Industrial Estate, Yuen Long, New Territories, Hong Kong	Building-Owned; Land-Rented	Good	HKD 183,697.00	2047	No renewal options
	San Miguel (Guangdong) Brewery Co.,Ltd	San Miguel Road 1#, Longjiang Town, Shunde District, Guangdong Province, China	Owned	Good			
	San Miguel (Baoding) Brewery Co. Ltd.	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh , Khanh Hoa	Owned	Good			
	<b>Sales/Area Offices and Warehouses</b>						
	San Miguel Brewery Hong Kong Limited	9 <sup>th</sup> Floor, Citimark Building , No.28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, NT, Hong Kong	Land Rented	Good	HKD 17,676.00	2047	No renewal options
	San Miguel Brewery Hong Kong Limited	San Miguel Industrial Building, No. 9-11 Shing Wan Road, Tai Wai, Shatin, NT, Hongkong	Land Rented	Good	HKD 33,920.00	2047	No renewal options
	San Miguel (Guangdong) Brewery Co.,Ltd	Longjiang, Industrial Estate, Shunde District, Guangdong Province	Land Rented	Good	Entire rent paid at the start of lease term	May 01, 2053	For renewal at the expiry date.

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Guangzhou San Miguel Brewery Co. Ltd.						
	Shantou Sales Office	Room 803 and Room 804, Underground Parking, Huamei Garden, Shantou City	Owned	Good			
	Pingsha Warehouse	2nd Floor, NO. 1, E building, Junhe Street, Baiyun District, Guangzhou City	Warehouse-Rented	Good	RMB 1,875.00	December 31, 2013	Not renewed
	Guangzhou Admin Office	Unit 2428, 24/F, Wu Yang New City Plaza No.111-115 Si You New Road, Guangzhou	Office Space-Rented	Good	RMB 75,181.05	December 31, 2017	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Dongguan Sales Office	Unit 15, 13/F, Zhong Huan Cai Fu Plaza, No.92 Hong Fu Road, Nancheng District, Dongguan City	Office Space-Rented	Good	RMB 4,500.00	April 30, 2014	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Dongguan Sales Office	Unit 01H, 22/F, Star Remit Center, South Shop Village, Changping District, Dongguan City	Office Space-Rented	Good	RMB 1,918.51	April 30, 2015	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Dongguan Sales Office	Unit 809, 8/F Xilaideng Business Center, No. 298 Hu Men Road, Hu Men District, Dongguan City	Office Space-Rented	Good	RMB 2,275.00	May 31, 2015	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Shunde Sales Office	Unit 16, 3/F, Xinji Commercial Building No 2 Ma Di Road, Daling District, Shunde City	Office Space-Rented	Good	RMB 2,667.00	November 30, 2015	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	Shenzhen Sales Office	Unit 1316, 13/F, No. 49 Solar Silicon Valley, No.3 Yun Feng Road, Dalang Street, Longhua District, Shenzhen District	Office Space-Rented	Good	RMB 2,800.00	December 31, 2014	At the end of contract, in the same condition, we have the priority right of renewal, lease and rent will be discussed by both parties .
	San Remo Taiwan (SRT)						
	San Miguel Company Ltd. Taiwan Branch-Taipex	5F-2, No.164, Fusing N. Rd., Taipei, Taiwan (ROC)	Office Space-Rented	Good	NT\$70,000.00	October 19, 2014	Renewable upon mutual agreement of both parties
	San Miguel Company Ltd. Taiwan Branch-Kaohsiung	No.1440, Chengguan Rd., Renwu Dist., Kaohsiung City, Taiwan (ROC)	Office Space-Rented	Good	NT\$55,555.00	March 31, 2014	Renewable upon mutual agreement of both parties
	San Miguel China Investment Company Limited	Unit 607-608, 6 Floor Golden Land Building, No.32 Liang Ma Qiao Road, Chaoyang District, Beijing 100016	Office Space-Rented	Good	RMB 23,785.83	September 30, 2015	Renewable upon mutual agreement of both parties
	San Miguel (China) Investment Co. Ltd.	1-7A, 1-11A, 1-12A, 1-9C, 1-7C Parkview Tower Chaoyang District Beijing 100027, China	Owned	Good			
	San Miguel Baoding Brewery Company Limited						
	San Miguel Baoding Brewery Company Limited	4-3-102, 4-3-202, 4-3-302 JiXing Yuan, Baoding City	Owned	Good			
	San Miguel Baoding Brewery Company Limited	Shengli Street, Tianwei West Road, Baoding City, Hebei Province, China	Land-Rented	Good	Entire rent paid at the start of lease term	June 01, 2046	Renewable upon mutual agreement of both parties
	San Miguel Baoding Brewery Company Limited	JinXia Villa, Baoding City, China	Owned	Good			
	Shijiazhuang Sales Office	28-14D, YinDu Garden, Shifang Road, Shi Jia Zhuang City, Hebei Province, China	Office Space-Rented	Good	RMB 1,500.00	December 31, 2014	Renewable upon mutual agreement of both parties
	Handan Sales Office	6-3-302, Bai Hua Western District, Xing Tai City, Hebei Province, China	Office Space-Rented	Good	RMB 1,500.00	May 07, 2015	Renewable upon mutual agreement of both parties
	San Miguel Marketing Thailand Limited						
	North sales office	403/8 Lumpoon Road, Wadked, Amphor Muang, Lumpoon	Office Space-Rented	Good	THB 5,265.00	October 31, 2014	Renewable upon mutual agreement of both parties
	North sales office	403/9 Lumpoon Road, Wadked, Amphor Muang, Lumpoon	Office Space-Rented	Good	THB 5,265.00	December 31, 2014	Renewable upon mutual agreement of both parties
	South sales office (Phuket)	14/4 Moo 4, Tambon Wichit Amphor Muang, Phuket	Office Space-Rented	Good	THB 18,948.00	September 30, 2015	Renewable upon mutual agreement of both parties
	South sales office (Samui)	44/38 Moo 1 Tambon Maenam, Amphur Koh Samui Suratthani	Office Space-Rented	Good	THB 15,789.47	March 31, 2014	Renewable upon mutual agreement of both parties
	Northeast sales office	44/50 Moo 3 Chataphadung Rd, Thumbon Naimuang, Amphur Muang Khonkean	Office Space-Rented	Good	THB 8,422.00	December 31, 2014	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Warehouse Pattaya	324 Moo12 Chaiyapruk 1 rd., Tambon Nongprue, Banglamung, Chonburi	Warehouse-Rented	Good	THB 174,628.63	September 30, 2014	Renewable upon mutual agreement of both parties
	Pattaya sales office	263/91 Moo 12 Tambon Nongprue Banglamung Chonburi	Office Space-Rented	Good	THB 14,705.88	February 28, 2014	Renewable upon mutual agreement of both parties
	San Miguel Brewery Vietnam Limited						
	San Miguel Brewery Vietnam Ltd.	Quoc Lo 1 , Suoi Hiep , Dien Khanh, Khanh Hoa	Land-Rented	Good	VND 6,439,619.00	November 12, 2024	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office	422-424 Ung Van Khiem , Ward 25, Binh Thanh Dist, HCM City	Office Space-Rented	Good	VND223,276,770.00	February 28, 2014	Renewable upon mutual agreement of both parties
	Da Nang Sales Office	26 Nguyen Van Linh , Da Nang City	Office Space-Rented	Good	VND 24,000,000.00	July 30, 2014	Renewable upon mutual agreement of both parties
	Nha Trang Sales Office	48 B Yersin , Nha Trang City	Office Space-Rented	Good	VND 11,000,000.00	July 31, 2015	Renewable upon mutual agreement of both parties
	Ho Chi Minh Warehouse	1500/3C, An Phu Dong Ward, Dist 12, HCM City	Warehouse-Rented	Good	VND 36,300,000.00	February 10, 2014	Renewable upon mutual agreement of both parties
	<b>Power Plant</b>						
	San Miguel Baoding Utility	Shengli street, Tianwei west Road, Baoding City ,Hebei Province, China	Owned	Good			
	<b>Investment Properties</b>						
	Guangzhou San Miguel Brewery	Room 302, Haitao Building, Marine Fisheries Pier, North Binhai Avenue, Haikou City	Owned	Good			
		1th-4th Floor, Xianda Building, Shuichan Pier, North Binhai Avenue, Haikou City	Owned	Good			
<b>2</b>	<b>GINEBRA SAN MIGUEL, INC.</b>						
	<b>I. HEAD OFFICE</b>						
	San Miguel Properties Centre (SMPC) Bldg.	3rd & 6th Floors SMPC Bldg., St. Francis Ave., Ortigas Centre, Mandaluyong City	Owned	Good			
	<b>II. NORTH LUZON</b>						
	<b>Plants</b>						
	Sta. Barbara Plant	Tebag West, Sta. Barbara, Pangasinan	Owned	Good			
	East Pacific Star Bottlers Phils. Inc.	San Fermin, Cauayan, Isabela	Owned	Good			
	<b>Warehouse / Sales Office</b>						
	Cauayan Warehouse (Isabela Leaf)	Cauayan, Isabela	Rented	Good	467,240.00	December 31, 2013	Final Contract
	Cauayan Warehouse (Isabela Leaf)	Cauayan, Isabela	Rented	Good	125,760.00	August 31, 2014	Final Contract
	San Jacinto Warehouse (Kenwood Construction Enterprises)	Bo. Macayug, San Jacinto, Pangasinan	Rented	Good	175,000.00	Renewable at the option of the lessee	Renewable thereafter upon mutual writtend agreement of both parties
	SMDCI Warehouse	Bo. Maimpis, San Fernando, Pampanga	Owned	Good			
	Porac Warehouse	Sta. Cruz, Porac, Pampanga	Rented	Good	321,500.00	December 31, 2013	Renewable upon mutual agreement of both parties
	Pulilan Warehouse	Pulilan, Bulacan	Rented	Good	184,800.00	February 28, 2013	Not renewed
	La Union Sales Office	Lee Building, Natl. Hiway, Brgy. Carlatac, San Fernando City, La Union	Rented	Good	15,000.00	December 31, 2014	Renewable upon mutual agreement of both parties.
	Nueva Ecija Sales Office	Maharlika Hi-way, Brgy. Baloc, Sto. Domingo, Nueva Ecija	Rented	Good	18,000.00	April 30, 2013	Not renewed
	Pulilan Sales Office (Ellec Enterprise)	San Francisco, Pulilan, Bulacan	Rented	Good	30,800.00	February 28, 2013	Not renewed
	<b>Depot</b>						
	Alcohol Depot #1 ( SMCSL - Damortis)	Brgy. Namonitan, Sto. Tomas, La Union	Owned	Good			
	Alcohol Depot #2 ( SMCSL - Damortis)	Brgy. Namonitan, Sto. Tomas, La Union	Owned	Good			
	<b>III. GMA</b>						
	<b>Warehouse / Sales Office</b>						
	Cainta SO (Quicksource Logistics, Inc.)	167 Felix Ave. Brgy. Sto. Domingo Cainta Rizal	Rented	Good	667,700.00	March 31, 2014	Renewable upon mutual agreement of both parties
	Valenzuela Warehouse (Inland Container Corporation)	#8 T.Santiago St., Canumay West, Plastic City, Valenzuela	Rented	Good	214,512.79	December 31, 2013	Renewable at the option of the lessee
	Paco Sales Office (KMC Realty)	Warehouse 5B, P. Correa St. Extension, Paco, Manila	Rented	Good	269,055.69	June 30, 2014	Annually renewed
	Las Piñas Sales Office	IMSPI Units 12 & 14 Vita Realty Compound, # 98 Marcos Alvarez Ave. Talon, LPC #1747.	Rented	Good	429,207.60	February 28, 2015	Annually renewed

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Warehouse - Cold Storage 1 (GMV Coldkeepers, Inc.)	107 North Main Avenue, LTI, Brgy. Biñan, Biñan Laguna	Rented	Good	Php50/pallet per day (based on actual volume)	March 14, 2014	Renewable upon mutual agreement of both parties
	Warehouse - Cold Storage 2 (GMV Corp)	107 North Main Avenue, LTI, Brgy. Biñan, Biñan Laguna	Rented	Good	Php50/pallet per day (based on actual volume)	March 14, 2014	Renewable upon mutual agreement of both parties
	Polo Tolling Warehouse	SMBB Polo Brewery, Brgy. BBB Valenzuela City	Owned	Good			
	<b>IV. SOUTH LUZON</b>						
	<b>Plants</b>						
	Lucena Plant	Bgy. Gulang-gulang, Lucena City, Quezon	Owned	Good			
	East Pacific Star Bottlers Phils. Inc.	Km 503 Hacienda Mitra, Paulog, Ligao City, Albay	Owned	Good			
	Calamba Tolling Plant (Hearty Beverage Options)	Sitio Pulang Lupa, Makiling, Calamba Laguna	Owned	Good			
	Cabuyao Plant	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
	<b>Warehouse / Sales Office</b>						
	Warehouse (Southern Textile Mills, Inc.)	Bgy. Lawa, Calamba City, Laguna	Rented	Good	1,089,010.00	Continuing unless terminated and agreed by both parties	Lessee has the option to renew the contract under the terms and conditions as may be agreeable to both parties
	Legaspi Warehouse	Brgy. Gogon, Legaspi City, Albay	Owned	Good			
	Warehouse (SMC-SL Old)	Silangan Industrial Estate, Bgy Pittland, Terelay Phase, Cabuyao, Laguna	Owned	Good			
	Pittland Warehouse	Brgy. Pittland, Cabuyao	Rented	Good	371,840.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	<b>Depot</b>						
	Cotta Depot	Francisco Ferdinand St., Teacher's Village, Bgy. Cotta, Lucena City	Owned	Good			
	Tabangao Depot	Bgy. Tabangao, Aplaya, Batangas City	Owned	Good			
	Alcohol Depot (SMC - SL BBTI)	Bauan, Batangas	Rented	Good	589,285.71	For renewal - Jan 2014	Renewable at the option of the lessee
	Alcohol Depot (IDMC BBTI)	Bauan, Batangas	Rented	Good	600,000.00	April 30, 2014	Renewable at the option of the lessee
	Alcohol Depot (Southbay Bulk Terminal, Inc.)	Calaca, Batangas	Rented	Good	746,253.00	June 30, 2014	Renewable at the option of the lessee
	<b>Land</b>						
	Newport Industries	Sito Pulang Lupa, Makiling, Calamba Laguna	Rented	Good	1,543,572.91	December 31, 2020	Lessee has the option to extend lease for two years from expiry date under same terms and conditions.
	<b>V. VISAYAS</b>						
	<b>Plants</b>						
	Cebu Plant	Subangdaku, Mandaue City, Cebu	Owned	Good			
	San Miguel PET and Brewery Plant- Cebu	San Miguel Brewery Complex, SMBD Hi-way, Mandaue City	Owned	Good			
	Distileria Bago, Inc. (Alcohol Distillery)	Km 13.5 Bgy. Taloc, Bago City, Negros Occidental	Owned	Good			
	<b>Warehouse / Sales Office</b>						
	Warehouse & Sales Office (Wadsons Realty)	Brgy 91, Abucay, Tacloban City	Rented	Good	16,380.00	January 31, 2014	Pre-terminated January 31, 2014
	San Miguel Brewery Mega Whse A	San Miguel Brewery Complex, SMBD Hi-way, Mandaue City	Owned	Good			
	DOS Iloilo Office & Warehouse	2F, Pacific Bay Bldg, Jaro, Iloilo City	Rented	Good	29,473.68	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	<b>Depot</b>						
	Alcohol Depot (SMCSL)	Ouano, Mandaue City	Owned	Good			
	<b>VI. MINDANAO</b>						
	<b>Plants</b>						
	San Miguel PET and Brewery Plant- Davao	San Miguel Brewery Plant, Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	<b>Warehouse / Sales Office</b>						

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Admin Office (Phividec Industrial Estate)	Gracia Tagoloan, Misamis Oriental	Owned	Good			
	Storage Tanks (Phividec Industrial Estate)	Gracia Tagoloan, Misamis Oriental	Owned	Good			
	Land (Phividec Industrial Estate)	Gracia Tagoloan, Misamis Oriental	Rented	Good	43,601.00	49 years	Renewable upon mutual agreement of both parties
	Davao Warehouse & Sales Office	Brgy. Talomo, Ulas, Davao City	Owned	Good			
	Davao Sales Office (E - Three Logistics System)	Davao City	Rented	Good	162,500.00	December 31, 2013	Warehouse Management only. Rental of Property c/o SMC Davao.
	VENSU Ventures (DOS GENSAN)	National Highway (Back of Land Bank, near BFAR Office) Brgy. City Heights, General Santos City	Rented	Good	30,000.00	August 31, 2013	Not renewed
	Pagadian Sales Office (Ramona Construction & Enterprises)	BF Araw Avenue, Tiguma, Pagadian City	Rented	Good	7,589.90	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Cagayan de Oro Sales Office (LYL Apartment)	Unit 118, LYL Apartment, Kimwa Compound, Barangay Baloy, Cagayan de Oro City	Rented	Good	11,848.21	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
<b>FOOD BUSINESS</b>							
	<b>Main Office</b>						
	JMT Corporate Condominium Building	ADB Avenue, Ortigas Center, Pasig City	Owned	Good			
	<b>Administration Office</b>						
	Feeds, Poultry and Great Food Solutions Iloilo Office	Melliza St., Brgy. Zamora, Iloilo City	Owned	Good			
	Sta. Maria Vetmed Office	Brgy. Guyong, Sta. Maria, Bulacan	Owned	Good			
	<b>Manufacturing</b>						
	Processed Meats Cavite Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Mabini Flourmill	Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Tabangao Flourmill	Brgy. Tabangao, Batangas City	Owned	Good			
	Golden Bay Grain Terminal	Brgy. Balibaguhan and Brgy. Bulacan, Mabini, Batangas	Owned	Good			
	Cebu Poultry Dressing Plant	Brgy. Canduman, Mandaue City	Owned	Good			
	Davao Poultry Dressing Plant	Brgy. Sirawan, Toril Davao City	Owned	Good			
	Feeds Spent Drying and Rendering Plant	SMC Complex, San Fernando, Pampanga	Owned	Good			
	Feeds Spent Drying Plant	Mc Arthur Hi-way, Valenzuela City	Owned	Good			
	Bulacan Feedmill	Brgy. Magmarale, San Miguel, Bulacan	Owned	Good			
	Tarlac Feedmill	Luisita Industrial Park, San Miguel, Tarlac City	Owned	Good			
	BMEG Pangasinan Feedmill	Km. 189, Brgy. Bued, Binalonan, Pangasinan	Owned	Good			
	Isabela Feedmill	Brgy. Soyung, Echague, Isabela	Owned	Good			
	Bataan Feedmill	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Owned	Good			
	General Santos Feedmill	SMPFC Cmpd., Rivera St., Brgy. Calumpang, Gen. Santos City	Owned	Good			
	Cagayan de Oro Feedmill	Brgy. Baloy, Tablon, Cagayan de Oro City	Owned	Good			
	Bukidnon Feedmill	Milmar Compound, Impalutao, Impasug-ong, Bukidnon	Owned	Good			
	Magnolia Plant	Governor's Drive, Bo. De Fuego, Gen. Trias, Cavite	Owned	Good			
	Magnolia Ice Cream Plant	Sta. Rosa Industrial Complex, Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Owned	Good			
	Monterey Meat Plant	Governor's Drive, Langkaan, Dasmariñas, Cavite	Owned	Good			
	Processed Meats Indonesia Plant	Jl. Raya Bogor Km. 37 Sukamaju, Cilodong, Indonesia	Owned	Good			
	Bin Duong Feedmill and Farm	Cau Sat Hamlet, Lai Hung Village, Ben Cat, Binh Duong, Vietnam	Owned	Good			
	Processed Meats Vietnam Plant	An Tay, Ben Cat, Binh Duong, Vietnam	Owned	Good			
	Calamba Hatchery	Brgy. Licheria, Calamba City	Owned	Good			
	Bulacan Hatchery	Km. 37, Pulong Buhangin, Sta. Maria, Bulacan	Owned	Good			
	San Pablo Poultry Farm	San Rafael, San Pablo, Laguna	Owned	Good			
	Grandparent Hatchery	Kapitan Bayong, Impasug-ong, Bukidnon	Owned	Good			
	Orion Experimental Training Farm	Brgy. General Lim, Orion, Bataan	Owned	Good			
	Calauan Experimental Farms	SMC Cmpd., Brgy. Mabacan, Calauan, Laguna	Owned	Good			
	Isabela Cattle Farm	Bo. San Luis, Cauayan, Isabela	Owned	Good			
	San Miguel Farm	Magmarale, San Miguel, Bulacan	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Sumilao Farm	San Vicente, Sumilao, Bukidnon	Owned	Good			
	Polomolok Cattle Farm	Matin-ao, Polomolok, South Cotabato	Owned	Good			
	Laguna Warehouse	Brgy. Malitlit, Sta. Rosa, Laguna	Owned	Good			
	Processed Meats Fairview Warehouse	34 Consul St., Fairview Park Subdivision, Fairview, Quezon City	Owned	Good			
	Otis Warehouse	Mendiola Ext., Otis, Pandacan, Manila	Owned	Good			
	<b>Land</b>						
	Golden Avenue Corp.	San Miguel Ave., corner Tektite Road, Pasig City	Owned	Good			
	<b>Manufacturing</b>						
	Great Food Solutions Commissary	2 MIA Road, Tambo, Paranaque City	Rented	Good	70,000.00	April 30, 2014	Continuing unless terminated and agreed by both parties
	Bataan Feedmill (lot only)	Mindanao Avenue, cor 10th Avenue, BEZ, Mariveles, Bataan	Rented	Good	940,800.00	March 31, 2054	Renewable for a maximum of 25 years after the expiration of the contract
	Cagayan de Oro Feedmill (lot only)	Brgy. Baloy, Tablon, Cagayan de Oro City	Rented	Good	366,138.33	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	<b>Foreshore</b>						
	Flour Mabini	Brgy. Bulacan, Mabini, Batangas	Rented	Good	14,166.67	December 20, 2014	Renewable for another period of 25 yrs at the option lessor
	Flour Tabangao	Brgy. Tabangao, Batangas City	Rented	Good	2,412.16	August 2024	Renewable for another period of 25 yrs at the option lessor
	<b>Sales &amp; Administration</b>						
	Food Group Consolidated Warehouse	403 F. Legaspi Street, Maybunga, Pasig City	Rented	Good	5,853.97	SMIS - Continuing unless terminated and agreed by both parties; Flour - May 31, 2014;	Renewable upon mutual agreement of both parties
	Food Group Admin Office	SMFG Cmpd., Legaspi cor. Eagle St., Ugong, Pasig City	Owned	Good			
	Food Group Purchasing Office	4F JMT Corp. Cond. ADB Avenue, Ortigas Center, Pasig City	Rented	Good	191,983.44	December 30, 2014	Renewable upon mutual agreement of both parties
	Food Group Shared Services Center	10F Raffles Corporate Center, F Ortigas Jr Road, Ortigas Center Pasig City	Rented	Good	516,186.97	October 09, 2016	Renewable for another period of 5 yrs under such terms and conditions as may be agreed upon by the parties
	Bulacan Warehouse - Flour	Sta. Rita, Guiguinto, Bulacan	Rented	Good	70,125.89	May 31, 2018	Renewable subject to terms and conditions as may be agreed upon by the parties
	Pampanga - Poultry	RRK Building, Jose Abad Santos Ave., Dolores, City of San Fernando, Pampanga	Rented	Good	141,000.00	September 30, 2014	Continuing unless terminated and agreed by both parties
	Calamba - Poultry	3rd Flr Dencris Bus. Center, Brgy. Halang, Calamba City, Laguna	Rented	Good	457,482.79	Sales Office - May 31, 2015; Admin Ofc - June 30, 2014; Vetmed Warehouse - Aug 2015	Continuing unless terminated and agreed by both parties
	Parian Office - Poultry	Anderson Bldg. II, Parian, Calamba City, Laguna	Rented	Good	26,880.00	June 30, 2013	Contract not renewed
	Naga - Poultry	G9 DMG Bldg., Peñafrancia Ave., Naga City	Rented	Good	41,318.27	January 13, 2014	Continuing unless terminated and agreed by both parties
	Bohol - Poultry	Albur Dressing Plant, Eastern Poblacion, Albuquerque, Bohol	Rented	Good	7,200.00	January 01, 2014	Continuing unless terminated and agreed by both parties
	Leyte - Poultry	Robledo Compound, Real St., Brgy. Campitik, Palo, Leyte	Rented	Good	24,358.97	February 15, 2014	Continuing unless terminated and agreed by both parties
	Bacolod - Poultry and Great Food Solutions	Door 3 & 4, VCY Center, Hilado Extension, Kamagong St., Bacolod City	Rented	Good	45,000.00	July 15, 2014	Continuing unless terminated and agreed by both parties
	Dumaguete - Poultry	2F THS Bldg., Real St., Brgy. 7, North Hi-way, Dumaguete Ciy, Negros Oriental	Rented	Good	12,100.00	June 30, 2015	Continuing unless terminated and agreed by both parties
	Tacloban - Poultry	Brgy. 79, Marasbaras, Tacloban, Leyte	Rented	For Rehabilitation	13,580.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Cebu - Poultry	6th Flr Clotilde Bldg., Casuntingan, Mandaue City	Rented	Good	175,952.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Ormoc - Poultry	Door 4, 2nd Flr Tan Bldg., Lilia Ave., Cogon, Ormoc	Rented	Good	8,808.80	January 01, 2014	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Davao - Poultry and Great Food Solutions	2nd Flr. ARC Bldg., cor Dakudao Ave. and Lakandula St., Agdao, Davao City	Rented	Good	1,431,044.26	December 31, 2014	Continuing unless terminated and agreed by both parties
	Zamboanga - Poultry	Door #2, Nuño Bldg, MCLL Highway, Guiwan, Zamboanga City	Rented	Good	17,306.50	December 31, 2014	Continuing unless terminated and agreed by both parties
	Cagayan de Oro - Poultry, Feeds and Great Food Solutions	3rd Flr, HBL Bldg., Gusa, Cagayan de Oro City	Rented	Good	10,419.64	June 30, 2014	Continuing unless terminated and agreed by both parties
	Bukidnon - Poultry	Gellor Bldg., Propia St., Malaybalay City	Rented	Good	58,928.57	December 31, 2014	Continuing unless terminated and agreed by both parties
	Ozamis - Poultry	Mialen, Clarin, Misamis Occidental	Rented	Good	8,000.00	June 17, 2014	Continuing unless terminated and agreed by both parties
	Butuan - Poultry	Km 9, Tag-ibo, Butuan City	Rented	Good	5,892.86	March 31, 2014	Continuing unless terminated and agreed by both parties
	Bulacan Sales Office - Feeds	Cabiawan St., Banga 1st, Plaridel, Bulacan	Rented	Good	83,671.88	December 2013	Continuing unless terminated and agreed by both parties
	Cebu Office - Feeds	7F Cleotilde Bldg. Casuntingan, Mandaue City	Rented	Good	50,400.00	September 2014	Continuing unless terminated and agreed by both parties
	Bacolod Sales Office - Feeds	JA Building, San Patricio, Brgy. Banago, Bacolod City	Rented	Good	46,519.33	December 2014	Continuing unless terminated and agreed by both parties
	Tacoma - Feeds	Tacoma & 2nd St., Port Area, Manila	Rented	Good	559,647.86	December 31, 2013	Continuing unless terminated and agreed by both parties
	Chino Warehouse	Chino Terminal 3385 Lubiran St. Bacood, Sta. Mesa	Rented	Good	307,337.50	August 31, 2013	Contract not renewed
	Namayan Warehouse	979 C. Castaneda Street, Mandaluyong City Metro Manila	Rented	Good	300,000.00	October 15, 2014	Continuing unless terminated and agreed by both parties
	Baseco Warehouse	Yard 2, Baseco Warehouse Engineering Compound, 2nd Street, Port Area, Manila	Rented	Good	286,750.00	December 30, 2014	Continuing unless terminated and agreed by both parties
	UTI Warehouse	Lot 2 C Access Rd. Multinational Village, Paranaque City	Rented	Good	36,000.00	February 28, 2014	Continuing unless terminated and agreed by both parties
	PNOC - Feeds	Mainaga, Mabini, Batangas	Rented	Good	844,800.00	December 30, 2014	Continuing unless terminated and agreed by both parties
	G1 Airmoving Logistics - Feeds	3270 Merville, MIA District, Brgy. 201, Pasay City	Rented	Good	102,144.00	April 15, 2015	Continuing unless terminated and agreed by both parties
	NFA Isabela - Feeds	Northern Philippine Grains Complex, Echague, Isabela	Rented	Good	125,625.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Fortune Warehouse - Feeds	Bacnotan, La Union	Rented	Good	132,000.00	September 30, 2014	Continuing unless terminated and agreed by both parties
	Alejo Sim - Feeds	Nancayasan, Urdaneta City, Pangasinan	Rented	Good	227,520.00	March 15, 2014	Continuing unless terminated and agreed by both parties
	William Sim - Feeds	Nancayasan, Urdaneta City, Pangasinan	Rented	Good	359,988.66	December 31, 2014	Continuing unless terminated and agreed by both parties
	UGMC Warehouse - Feeds	Cabatuan, Isabela	Rented	Good	346,500.00	May 31, 2014	Continuing unless terminated and agreed by both parties
	JNPL Morning Star Warehouse - Feeds	Brgy. Rizal, Moncada, Tarlac	Rented	Good	165,990.00	July 31, 2013	Contract not renewed
	YKK Warehouse - Feeds	Mabini, Moncada, Tarlac	Rented	Good	211,970.00	June 26, 2014	Continuing unless terminated and agreed by both parties
	Warensburg Warehouse - Feeds	Mariveles, Bataan	Rented	Good	1,594,875.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	Wedison Warehouse	Nungnungan II, Cauyan City	Rented	Good	138,000.00	April 03, 2014	Continuing unless terminated and agreed by both parties
	CRM Warehouse - Feeds	San Fermin, Cauayan, Isabela	Rented	Good	103,680.00	October 31, 2013	Contract not renewed
	Paddad Warehouse - Feeds	Brgy. Victoria, Alicia, Isabela	Rented	Good	77,000.00	August 31, 2013	Contract not renewed
	Ramon Warehouse - Feeds	Bugallon Norte, Ramon, Isabela	Rented	Good	71,428.57	May 03, 2014	Continuing unless terminated and agreed by both parties
	MCAR Warehouse - Feeds	Bacnotan, La Union	Rented	Good	119,107.14	June 15, 2013	Contract not renewed
	Fieldman Warehouse - Feeds	Sta. Rita East, Agoo, La Union	Rented	Good	112,410.00	May 31, 2014	Continuing unless terminated and agreed by both parties
	Pozzorubio Warehouse - Feeds	Pozzorubio, Pangasinan	Rented	Good	101,250.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Marilao Warehouse	Bo. Loma De Gato, Marilao, Bulacan	Rented	Good	294,642.86	October 31, 2013	Contract not renewed

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Coliat Warehouse - Feeds	Brgy. Tinga Labak, Batangas	Rented	Good	116,517.86	December 31, 2013	Continuing unless terminated and agreed by both parties
	CEC Warehouse - Feeds	San Jose, Batangas	Rented	Good	66,964.29	December 31, 2013	Continuing unless terminated and agreed by both parties
	PJ Chen Warehouse - Feeds	Brgy. San Jose, Batangas	Rented	Good	161,280.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Masaya Warehouse - Feeds	Brgy. Masaya, Rosario, Batangas	Rented	Good	195,960.00	December 30, 2014	Continuing unless terminated and agreed by both parties
	Malitlit Warehouse - Feeds	Brgy. Malitlit, Sta. Rosa, Laguna	Rented	Good	308,000.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Pili Isarog Warehouse - Feeds	National Hi-way, Pili, Camarines Sur	Rented	Good	167,142.86	March 24, 2014	Continuing unless terminated and agreed by both parties
	Pili- COSAY Warehouse - Feeds	Maharlika Hi-way, Santiago, Pili, Camarines Sur	Rented	Good	280,125.00	May 20, 2014	Continuing unless terminated and agreed by both parties
	PKS Shipping - Feeds	Sitio Tawagan, Tayud Consolacion, Cebu	Rented	Good	171,063.33	December 31, 2014	Continuing unless terminated and agreed by both parties
	Bassett Land, Inc. - Feeds	Sitio Tawagan, Tayud Consolacion, Cebu	Rented	Good	261,250.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Northcoastal Weighing Center Warehouse G - Feeds	Tayud, Consolacion, Cebu City	Rented	Good	64,260.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	SIAIN Warehouse - Feeds	Brgy. Loboc, Lapaz, Iloilo City	Rented	Good	135,183.04	December 2014	Continuing unless terminated and agreed by both parties
	LMDC Enterprises Co. - Feeds	Brgy. Guaan, Leganes, Iloilo City	Rented	Good	1,247,935.27	December 31, 2014	Continuing unless terminated and agreed by both parties
	CSU Warehouse	Brgy. Pavia, Iloilo	Rented	Good	477,678.57	December 31, 2014	Continuing unless terminated and agreed by both parties
	KIMWA Warehouse - Feeds	KIMWA Cmpd., Baloy, Cagayan de Oro City	Rented	Good	1,111,256.25	December 2014	Continuing unless terminated and agreed by both parties
	MITIMCO Warehouse - Feeds	Mitimco Cmpd., Baloy, Cagayan de Oro City	Rented	Good	494,182.37	December 2014	Continuing unless terminated and agreed by both parties
	CATIMCO Warehouse - Feeds	Puntod, Cagayan de Oro City	Rented	Good	312,400.00	December 2014	Continuing unless terminated and agreed by both parties
	Manzano Warehouse - Feeds	Puntod, Cagayan de Oro City	Rented	Good	160,714.29	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Tan Warehouse - Feeds	Lam-an, Ozamiz City	Rented	Good	92,220.00	December 2014	Continuing unless terminated and agreed by both parties
	Blue 2 Warehouse - Feeds	Sasa, Davao City	Rented	Good	96,600.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Tan Warehouse - Feeds	Makar Highway, General Santos City	Rented	Good	76,692.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	SMCI Warehouse - Feeds	SMCI Warehouse	Rented	Good	98,700.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	MIMIJOE - Feeds	Ladislawa Village, Buhangin, Davao City	Rented	Good	91,800.00	April 30, 2014	Renewable yearly
	LSL Multi-Serve Company - Feeds	Km 8 Pareñas Compound, Diversion Road, Buhangin, Davao City	Rented	Good	777,658.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	Rich Winson Warehouse - Feeds	Diversion Road, Buhangin, Davao City	Rented	Good	419,400.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	AFSI Warehouse - Feeds	Panacan, Davao City	Rented	Good	100,800.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Continental Warehouse - Feeds	Old Airport Road, Sasa, Davao City	Rented	Good	205,470.72	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	GHMC Warehouse - Feeds	Culianan, Zamboanga	Rented	Good	106,686.72	December 31, 2013	Continuing unless terminated and agreed by both parties
	BOT - Fresh Meats	Mega Q Mart and Farmers Market, Quezon City	Rented	Good	222,537.60	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Pampanga Livestock Selling Station - Fresh Meats	Sta. Barbara, Bacolor, Pampanga	Rented	Good	138,392.00	October 01, 2014	Renewable upon mutual agreement of both parties
	Padre Garcia Selling Station - Fresh Meats	Quilo-Quilo North Padre Garcia, Batangas	Rented	Good	50,000.00	December 2013	Continuing unless terminated and agreed by both parties
	Iloilo Office - Fresh Meats	F. Palmares St., Passi City, Iloilo	Rented	Good	1,000.00	March 3, 2013	Contract not renewed
	Davao Office - Fresh Meats	Marapangi, Toril, Davao City	Rented	Good	5,000.00	September 30, 2015	Continuing unless terminated and agreed by both parties
	Bukidnon Live Operations Office - Fresh Meats	Gellor Bldg., Propia St., Malaybalay City	Rented	Good	58,928.57	December 2015	Renewable upon mutual agreement of both parties
	Pasig Office - San Miguel Integrated Sales	El Magnifico Bldg., No. 19 General Atienza St., San Antonio Village, Pasig City	Owned	Good			
	Pampanga Office - San Miguel Integrated Sales	2F Rickshaw Arcade, Greenfield Square, Km. 76, Mc Arthur Highway, Sindalan, San Fernando City, Pampanga	Rented	Good	26,550.00	September 15, 2014	Renewable upon mutual agreement of both parties
	Laguna Office - San Miguel Integrated Sales	Brgy. Pulong Sta. Cruz, Sta. Rosa, Laguna	Rented	Good	33,240.00	December 31, 2013	Automatic renewal on a month-to-month basis
	Bacolod Office - San Miguel Integrated Sales	William Lines Warehouse, Magsaysay cor. Araneta Sts., Singcang, Bacolod City	Rented	Good	18,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
	Iloilo Office - San Miguel Integrated Sales	YK Marine Bldg., Iloilo Fishing Port Complex, Brgy. Tanza, Bay-bay, Iloilo City	Rented	Good	15,430.00	October 31, 2014	Renewable upon mutual agreement of both parties
	Cagayan de Oro Office - San Miguel Integrated Sales	Door 5, Banyan Place, Alwana Compound, Cugman, Cagayan de Oro City	Rented	Good	24,200.00	October 13, 2014	Renewable upon mutual agreement of both parties
	Bandung Office - San Miguel Pure Foods Indonesia	3rd Flr Jl. Soekarno Hatta No. 606 Bandung	Rented	Good	IDR 4,200,000.00	January 02, 2014	Renewable upon consent of both parties
	Surabaya Office - San Miguel Pure Foods Indonesia	Perumahan Citra Harmoni Block C1 No. 25 Trosobo Sidoarjo Jawa Timur	Rented	Good	IDR 2,731,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
	Yogyakarta Office & Warehouse - San Miguel Pure Foods Indonesia	Jl. Palagan Tentara Pelajar Gg. Gambir No. 100B, Sleaman-Yogyakarta	Rented	Good	IDR 2,386,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
	Medan Office - San Miguel Pure Foods Indonesia	Medan Sumatra Utara	Rented	Good	IDR 1,975,000.00	October 2014	Renewable upon consent of both parties
	Makassar Office - San Miguel Pure Foods Indonesia	Makassar Sulawesi Selatan	Rented	Good	IDR 648,000.00	November 2014	Renewable upon consent of both parties
	Bali Office - San Miguel Pure Foods Indonesia	Bali Indonesia	Rented	Good	IDR 926,000.00	November 2014	Renewable upon consent of both parties
	Ho Chi Minh Admin Office - San Miguel Hormel Vietnam	6F Mekong Tower, 235-241 Ward 13, Tan Binh, Ho Chi Minh City	Rented	Good	VND 32,000,000.00	August 31, 2015	Renewable upon mutual agreement of both parties
	Long An Sales Office - San Miguel Hormel Vietnam	High Way 1A, 1 Hamlet, My Yen, Ben Luc, Long An	Rented	Good	VND 7,000,000.00	May 15, 2014	Renewable upon mutual agreement of both parties
	Ho Chi Minh Sales Office - San Miguel Hormel Vietnam	Tan Thanh Tay, Cu Chi District, Ho Chi Minh City	Rented	Good	VND 5,500,000.00	November 30, 2015	Renewable upon mutual agreement of both parties
	Tay Ninh Sales Office - San Miguel Hormel Vietnam	Long Binh, Long Thanh Nam, Hoa Thanh, Tay Ninh	Rented	Good	VND 5,000,000.00	June 09, 2014	Renewable upon mutual agreement of both parties
	Chau Thanh Sales Office - San Miguel Hormel Vietnam	Phuoc Hoa, Phuoc Thanh, Chau Thanh, Tien Giang	Rented	Good	VND 7,000,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
	Go Cong Tay Sales Office - San Miguel Hormel Vietnam	Tan Thanh, Thanh Nhut, Go Cong Tay, Tien Giang	Rented	Good	VND 4,000,000.00	March 15, 2014	Renewable upon mutual agreement of both parties
	Trang Bom Sales Office - San Miguel Hormel Vietnam	39/2 An Hoa, Tay Hoa, Trang Bom, Dong Nai	Rented	Good	VND 5,000,000.00	June 30, 2014	Renewable upon mutual agreement of both parties
	Xuan Loc District Sales Office - San Miguel Hormel Vietnam	Bao Hoa Village, Xuan Loc District, Dong Nai	Rented	Good	VND 3,500,000.00	November 30, 2014	Renewable upon mutual agreement of both parties
	Tan Phu Sales Office - San Miguel Hormel Vietnam	160 Tho Lam 2, Phu Xuan, Tan Phu, Dong Nai	Rented	Good	VND 4,000,000.00	April 14, 2015	Renewable upon mutual agreement of both parties
	Vinh Long Sales Office - San Miguel Hormel Vietnam	194/2 Pham Hung St., Ward 9, Vinh Long	Rented	Good	VND 4,800,000.00	May 31, 2014	Renewable upon mutual agreement of both parties
	Soc Trang Sales Office - San Miguel Hormel Vietnam	Dong Hai, Dai Hai, Ke Sach, Soc Trang	Rented	Good	VND 3,200,000.00	October 31, 2014	Renewable upon mutual agreement of both parties
	Tra Vinh Sales Office - San Miguel Hormel Vietnam	Xom Trang, Nguyet Hoa, Chau Thanh, Tra Vinh	Rented	Good	VND 5,000,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Bac Ninh Sales Office - San Miguel Hormel Vietnam	Dinh Bang Village, Tu Son District, Bac Ninh	Rented	Good	VND 15,000,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Bao Loc Sales Office - San Miguel Hormel Vietnam	1023 Tran Phu Road, Loc Tien, Bao Loc,Lam Dong	Rented	Good	VND 4,000,000.00	December 31, 2015	Renewable upon mutual agreement of both parties
	Duc Trong Sales Office - San Miguel Hormel Vietnam	5 Thon An Hiep I, Lien Hiep, Duc Trong, Lam Dong	Rented	Good	VND 3,500,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Dak Lak Sales Office - San Miguel Hormel Vietnam	Tan Hoa Ward, Buon Ma Thuoc City, Dak Lak	Rented	Good	VND 5,000,000.00	December 31, 2014	Renewable upon mutual agreement of both parties
	Binh Dinh Sales Office - San Miguel Hormel Vietnam	150 Tran Phu Street, Tuy Phuoc Town, Tuy Phuoc District, Binh Dinh	Rented	Good	VND 2,600,000.00	June 14, 2017	Renewable upon mutual agreement of both parties
	Ben Tre Sales Office - San Miguel Hormel Vietnam	Phu Nhon, Thi Tran Chau Than, Cau Than, Ben Tre	Rented	Good	VND 3,500,000.00	July 19, 2015	Renewable upon mutual agreement of both parties
	<b>Cold Storage / Reefer Vans/Depots</b>						
	Vifel Ice Plant and Cold Storage Inc. - Poultry and Purefoods-Hormel	North Bay Blvd., Navotas, Metro Manila	Rented	Good	5,401,945.45	Poultry - Continuing unless terminated and agreed by both parties and PF-Hormel - Jan 1, 2015	Renewable upon mutual agreement of both parties
	Diaz Dressing Plant - Poultry	Km. 104, Brgy. Tabuating, San Leonardo, Nueva Ecija	Rented	Good	560,156.00	October 31, 2014	Continuing unless terminated and agreed by both parties
	San Vicente Dressing Plant - Poultry and Fresh Meats	Brgy. San Vicente, San Jacinto, Pangasinan	Rented	Good	741,131.55	Poultry - July 5, 2015 and Fresh Meats - continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	LDP Farms Food Corporation - Poultry	Brgy. Rabon, Rosario, La Union and Mabilao, San Fabian, Pangasinan	Rented	Good	932,166.12	July 07, 2015	Continuing unless terminated and agreed by both parties
	ARS Dressing Plant - Poultry and Fresh Meats	Purok 5, Brgy. Rizal, Santiago City, Isabela	Rented	Good	927,423.90	Poultry - Decembr 31, 2014; Fresh Meats - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Aces AMS Integrated Poultry Processing Corporation - Poultry	Km. 342, Purok III, Garit Norte, Echague, Isabela	Rented	Good	511,454.93	December 31, 2015	Continuing unless terminated and agreed by both parties
	New Vreed Dressing Plant - Poultry	Brgy. Mangan-vaca, Subic, Zambales	Rented	Good	133,571.43	December 31, 2014	Continuing unless terminated and agreed by both parties
	Integrated Meat and Poultry Processing, Inc. - Poultry	Brgy. Tumalo, Hermosa, Bataan	Rented	Good	574,275.39	January 31, 2015	Continuing unless terminated and agreed by both parties
	557 Feathemeal Corporation	Brgy. San Nicolas Balas, Concepcion, Tarlac	Rented	Good	386,123.98	July 09, 2015	Continuing unless terminated and agreed by both parties
	Adriano Dressing Plant - Poultry	95 Landicho St., Brgy. Balasing, Sta. Maria, Bulacan	Rented	Good	63,916.67	May 31, 2016	Continuing unless terminated and agreed by both parties
	Mayharvest Corp. - Poultry & Fresh Meats	Caysio, Sta. Maria, Bulacan	Rented	Good	998,840.00	July 31, 2016	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - Automatic renewal on a month-to-month basis upon expiry
	La Primera Pollo, Inc. - Poultry	111 Pulong Gubat, Balagtas, Bulacan	Rented	Good	67,067.00	February 01, 2015	Continuing unless terminated and agreed by both parties
	Poltryade Sales and Services, Inc. - Poultry	Lagundi, Mexico, Pampanga	Rented	Good	99,000.00	December 2013	Continuing unless terminated and agreed by both parties
	Poltryade Sales and Services, Inc. - Poultry	Sta. Rita Industrial Estate, San Jose, Pili, Camarines Sur	Rented	Good	739,760.71	Continuing unless terminated and agreed by both parties	Automatic renewal
	SG Farms - Poultry	San Simon, Pampanga	Rented	Good	437,000.00	June 30, 2015	Continuing unless terminated and agreed by both parties
	Estrella Ice Plant & Cold Storage Co. Inc. - Poultry	Lawang Bato, East Canumay, Valenzuela City	Rented	Good	3,084,198.29	Continuing unless terminated and agreed by both parties	Automatic renewal

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Inland Corporation - Poultry	114 East Science Drive, Laguna Technopark, Binan, Laguna	Rented	Good	191,926.48	Continuing unless terminated and agreed by both parties	Automatic renewal
	V & F Ice Plant and Cold Storage, Inc. - Poultry, Fresh Meats and Purefoods-Hormel	San Roque, Sto. Tomas, Batangas and Sumulong Highway, Brgy. Mambungan, Antipolo, Rizal	Rented	Good	8,026,166.04	Poultry - Aug 31, 2014; Poultry & Fresh Meats - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Johanna's Chicken Processing Center - Poultry	Brgy. Bocohan, Lucena City and Brgy. Lagalag, Tiaong, Quezon	Rented	Good	136,798.20	Continuing unless terminated and agreed by both parties	Automatic renewal
	Silangan Poultry Farms - Poultry	Brgy. Kayumangi, Lipa City, Batangas	Rented	Good	250,157.40	February 2015	Continuing unless terminated and agreed by both parties
	Cariño & Sons Agri-Dev't Inc.- Poultry	Brgy. Aya, San Jose, Batangas	Rented	Good	161,579.96	Continuing unless terminated and agreed by both parties	Automatic renewal
	VAO Office - Poultry	San Roque, Sto. Tomas, Batangas	Rented	Good	7,840.00	December 31, 2013	Continuing unless terminated and agreed by both parties
	MKC Poultry Dressing Plant - Poultry	Brgy. Tagburos, Puerto Princesa City, Palawan	Rented	Good	22,512.00	Continuing unless terminated and agreed by both parties	Automatic renewal
	GMV Coldkeepers, Inc. - Poultry	Puerto Princesa, Palawan	Rented	Good	73,000.00	March 31, 2014	Continuing unless terminated and agreed by both parties
	Gallintina Industrial Corp. - Poultry	GIC Compound, Brgy. Tagbong, Pili, Camarines Sur	Rented	Good	150,000.00	Continuing unless terminated and agreed by both parties	Automatic renewal
	CCSO Tolling Services - Poultry	Brgy. Anislag, Daraga, Albay	Rented	Good	66,000.00	Continuing unless terminated and agreed by both parties	Renewable yearly
	Malogo Agri-ventures & Management Service Corporation - Poultry	Singko de Noviembre St., Silay City, Negros Occidental	Rented	Good	355,576.67	June 30, 2015	Continuing unless terminated and agreed by both parties
	First Farmers Food Corp. - Poultry	Brgy. Dos Hermanas, Talisay City, Negros Occidental	Rented	Good	128,283.50	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Corden Agro Industries - Poultry	Brgy. Tungay, Sta. Barbara, Iloilo	Rented	Good	304,124.66	June 30, 2015	Continuing unless terminated and agreed by both parties
	Gentec Cold Storage, Inc	Brgy. Maliao, Pavia, Iloilo City	Rented	Good	45,132.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	O-Star Foods Plant Corp. - Poultry	Brgy. Calabnugan, Sibulan, Negros Oriental	Rented	Good	70,880.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Agape R & R Foods - Poultry	Campaclan, Sibulan, Neg. Oriental	Rented	Good	47,571.72	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Quest Blast Freezing and Cold Storage Corp. - Poultry	Brgy. Canduman, Mandaue City, Cebu	Rented	Good	118,641.60	Continuing unless terminated and agreed by both parties	Contract not renewed
	Coldlink Asia Logistics Corp. - Poultry	PC Suico St., Tabok, Mandaue City, Cebu	Rented	Good		Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	3G Logistics and Storage, Inc. - Poultry and Fresh Meats	Hernan Cortes St., Tipolo, Mandaue City, Cebu	Rented	Good	750,257.99	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Cebu Sherilin Agro-Industrial Corp. Poultry	Brgy. Pangdan, Naga City, Cebu	Rented	Good	1,101,141.49	May 31, 2015	Continuing unless terminated and agreed by both parties
	Pavia Warehouse - Poultry	19 B San Jose St., Cogon Dist., Tagbilaran City	Rented	Good	7,526.32	June 30, 2014	Renewable upon mutual agreement of both parties
	Saligna Real Estate - Poultry	Robledo Compound, Real St., Brgy. Campitik, Palo, Leyte	Rented	Good	24,358.97	February 15, 2014	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	St. Jude Dressing Plant - Poultry	Mohon Tagoloan Misamis Oriental	Rented	Good	256,319.76	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Elim Dressing Plant - Poultry	Mailen, Clarin, Misamis Occidental	Rented	Good	146,911.53	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Green Pine Dressing Plant - Poultry	Km 9 Tag-ibo Butu-an City	Rented	Good	193,366.64	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Maharlika Agro Marine Ventures Corp. - Poultry	IP4 El Salvador, Misamis Oriental	Rented	Good	600,963.50	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Polar Bear Freezing & Storage-Fresh Meats	Phividec Industrial Estate, Sugbongcogon, Tagoloan, Misamis Oriental	Rented	Good	298,930.00	December 31, 2015	Continuing unless terminated and agreed by both parties
	Polar Bear Cold Storage - Poultry and Fresh Meats	Davao Fishing Port Complex, Brgy. Daliao, Toril, Davao City	Rented	Good	1,431,044.26	Poultry - Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Koldstor Centre Philippines, Inc. - Poultry & Magnolia	Anabu Hills Industrial Estate, Anabu I-C, Imus, Cavite	Rented	Good	1,565,101.21	Poultry - April 2014; Magnolia - July 31, 2014	Continuing unless terminated and agreed by both parties
	METS Logistics, Inc. - Purefoods-Hormel	Governor's Drive, Bo. Bancal, Carmona, Cavite	Rented	Good	1,222,422.44	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	Rombe Philippines, Inc. - Fresh Meats and Purefoods-Hormel	Dampol 1st, Pulilan, Bulacan	Rented	Good	1,939,589.99	Fresh Meats - Continuing unless terminated and agreed by both parties; Purefoods-Hormel - December 31, 2017	Renewable upon mutual written agreement of the parties
	Icon Reefer Corp. - Fresh Meats	F. Palmares St., Passi City, Iloilo	Rented	Good	58,000.00	February 28, 2014	Renewable upon mutual written agreement of the parties
	San Juan Reefer Van - Fresh Meats	San Juan, La Union	Rented	Good	40,000.00	June 2014	Continuing unless terminated and agreed by both parties
	SN SMN Meat Products Corp. - Fresh Meats	San Simon, Pampanga	Rented	Good	1,817,414.66	December 31, 2018	Automatic renewal on a month-to-month basis upon expiry
	Jentec Storage, Inc. - Poultry, Fresh Meats and Magnolia	JG Building, Raymundo Ave., Brgy. Rosario, Pasig City, Luisita Industrial Park San Miguel Tarlac City, Pili, Camarines Sur, Brgy 99. Diit, Maharlika Highway, Tacloban City, Brgy. Mali-pao, Pavia, Iloilo, G. Ouano St., Brgy. Opao Mnadaue City, Purok 9 K. 20 Tibungco Davao City and Brgy. Agusan, Cagayan De Oro City	Rented	Good	2,508,926.07	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - May 15, 2014; Magnolia - December 31, 2013	Continuing unless terminated and agreed by both parties
	Everest Cold Storage, Inc. - Poultry & Fresh Meats	Sambag, Jaro, Iloilo City	Rented	Good	780,829.12	Poultry - Continuing unless terminated and agreed by both parties; Fresh Meats - March 2017	Continuing unless terminated and agreed by both parties
	St. Jude Slaughterhouse - Fresh Meats	Sta. Ana, Tagoloan, Misamis Oriental	Rented	Good	14,560.00	December 31, 2014	Continuing unless terminated and agreed by both parties
	ECA Resources, Inc. - Poultry	Tumblir, Polomolok South Cotabato	Rented	Good	177,013.75	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Royal Cargo Combined Logistics Inc. -Purefoods-Hormel	Sta. Aqueada Ave., Pascor Drive, Parañaque City	Rented	Good	10,386,194.92	July 31, 2014	Renewable upon mutual written agreement of the parties
	UTS Logistics & Distribution Co., Inc. - Purefoods-Hormel	New Cavite Industrial Center, Stateland Subd., Brgy. Manggahan Gen. Trias, Cavite	Rented	Good	440,583.33	Continuing unless terminated and agreed by both parties	Renewable upon mutual written agreement of the parties
	PT Haga Jaya Kemasindo Sarana - San Miguel Pure Foods Indonesia	Graha Cempaka, Mas Block C-28, Jl. Letjend Suprato, Jakarta Pusat	Rented	Good	IDR 7,800,000.00	January 03, 2014	Renewable upon consent of both parties
	Tiga Raksa Satria- San Miguel Pure Foods Indonesia	3rd Flr. Jl. Soekarno Hatta No. 606 Bandung	Rented	Good	IDR 3,067,000.00	January 02, 2014	Renewable upon consent of both parties
	PT. Sewu Segar Nusantara	Jl. Beringin Bendo Kawasan Industri Ragam II Kav. 8 RT 06/08 Taman Sepayang Surabaya	Rented	Good	IDR 27,500,000.00	Continuing unless terminated and agreed by both parties	Renewable upon consent of both parties
	Cebu - San Miguel Integrated Sales	SMC-SL Compound, Ouano Wharf, Brgy. Looc, Mandaue City	Rented	Good	170,000.00	December 31, 2013	Renewable upon mutual agreement of both parties

#### PACKAGING BUSINESS

<b>A. DOMESTIC</b>							
<b>1</b>	<b>SAN MIGUEL YAMAMURA PACKAGING CORPORATION</b>						
	SMYPC Main Office, SMYPC Trading and SMYPC Contract Packaging Building / Office Space		San Miguel Properties Centre, Saint Francis St., Mandaluyong City	Owned	Good		
	SMYPC Rightpak Plant, SMYPC Canlubang PET & Caps Plant, SMYPC MCLP Canlubang Plant and SMYPC Leasing Operations						
	Land		Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good		
	SMYPC Cebu Beverage Packaging Plant, SMYPC Mandaue Glass Plant and SMYPC MCLP Mandaue Plant						
	Land		SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good		
	SMYPC Mandaue Glass Plant Warehouse		SMC Mandaue Complex, Hi-way, Tipolo, Mandaue City, Cebu	Owned	Good		
	SMYPC San Fernando Beverage Packaging Plant						
	Land and Warehouse		Barangay Mampis, City of San Fernando, Pampanga (Gate 2, SMC PET Plant)	Owned	Good		
	SMYPC Pet Recycling Plant and SMYPC MCLP San Fernando Plant						
	Land		SMC San Fernando Complex, Quebiauan, San Fernando City	Owned	Good		
	SMYPC Glass Business Office						
	Land		Barrio Halayhay, Tanza, Cavite	Owned	Good		
	Land		Muelle dela Industria St., Binondo Manila	Owned	Good		
	SMYPC Manila Plastics Plant						
	Land		Tomas Claudio St., Beata, Pandacan, Manila	Owned	Good		
	Warehouse		32, 33, & 45 Plastic City Compound, Valenzuela City	Rented	Good	414,600.00	Renewable for a period in accordance with the mutual written agreement of both parties
	SMYPC Manila Glass Plant						
	Land and Warehouse		Muelle dela Industria St., Binondo Manila	Owned	Good		
	Warehouse		San Fernando Brewery, Brgy. Quebiawan, San Fernando City, Pampanga	Owned	Good		
<b>2</b>	<b>SAN MIGUEL YAMAMURA ASIA CORPORATION</b>						
	Land and Warehouse		Km 27, Aguinaldo Highway, Imus, Cavite	Owned	Good		
	Land		Canlubang Industrial Estate, Canlubang, Laguna	Owned	Good		
	Warehouse		Warehouse 8001, GP Mamlasan, Biñan, Laguna	Rented	Good	1,533,304.08	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse		(Bldg 3) B JY and Sons CPD Veterans Center Western Bicutan, Taguig City, Metro Manila	Rented	Good	654,000.00	Renewable for a period in accordance with the mutual written agreement of both parties
	Warehouse		Grandville Industrial Complex, Carmona Cavite	Rented	Good	430,950.00	Renewable for a period in accordance with the mutual written agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Warehouse	Mountview Industrial Park, Carmona Cavite	Rented	Good	340,462.40		Renewable for a period in accordance with the mutual written agreement of both parties
3	SMC YAMAMURA FUSO MOLDS CORPORATION	Governor Dr., Bo. De Fuego, Bgy. San Francisco, Gen. Trias, Cavite	Owned	Good			
4	SAN MIGUEL PAPER PACKAGING CORPORATION	Dr. A Santos Avenue, Sucat, Parañaque City	Owned	Closed			
5	MINDANAO CORRUGATED FIBREBOARD, INC.	Km 12 Sasa, Davao City	Owned	Good			
6	CAN ASIA, INC.	Bgy. San Francisco de Malabon, Gen. Trias, 4107 Cavite	Owned	Good			
	B. INTERNATIONAL						
7	SAN MIGUEL YAMAMURA PACKAGING INTERNATIONAL LTD. AND SAN MIGUEL YAMAMURA GLASS (VIETNAM) LTD.	9/F Citimark Building, 28 Yuen Shun Circuit, Siu Lek Yuen, Shatin, N.T. Hongkong, PRC	Owned	Good			
8	ZHAOQING SAN MIGUEL YAMAMURA GLASS COMPANY LTD.	12 North Avenue, Housha St., Zhaoqing City Guangdong Province, PRC 526020	Land Use Rights	Good			
9	FOSHAN SAN MIGUEL YAMAMURA PACKAGING COMPANY LTD.	3 Dongdi Road, Junan Township, Guangdong Province, PRC	Land Use Rights	Good			
10	SAN MIGUEL YAMAMURA HAIPHONG GLASS COMPANY LTD.	17-A Ngo Quyen St., Ngo Quyen District, Haiphong City, Vietnam	Land Use Rights	Good			
11	SAN MIGUEL YAMAMURA PHU THO PACKAGING COMPANY LTD.	1 Le Van Khuong Street, Hiep Thanh Ward, District 12, Ho Chi Minh City, Vietnam	Land Use Rights	Good			
12	SAN MIGUEL YAMAMURA PLASTICS FILMS SDN. BHD.	No. 172, Jalan Usaha 5, lots 83, 84, 85, 75, 76 Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Land Lease Rights	Good			
13	SAN MIGUEL YAMAMURA PACKAGING AND PRINTING SDN. BHD. AND PACKAGING RESEARCH CENTRE SDN. BHD.	Lot 5078 and 5079, Jalan Jenjarum 28/39, Seksyen 28, 40400 Shah Alam, Selangor Darul Ehsan, Malaysia	Owned	Good			
14	SAN MIGUEL YAMAMURA WOVEN PRODUCTS SDN. BHD.	Lot 9 and 10, Jalan Usuha 4, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia Lot 4305, Jalan Usaha 8, Ayer Keroh Industrial Estate, 75450 Melaka, Malaysia	Owned	Good			
15	SAN MIGUEL YAMAMURA AUSTRALASIA	1 Culverston Road Minto NSW 2566, Australia	Rented	Good	AUD 111,589.98	July 31, 2020	Renewable upon mutual agreement of both parties
16	COSPAK PLASTICS PTY. LTD.	21 Huntsmore Road Minto NSW 2566, Australia	Rented	Good	AUD 22,390.82 - Unit 1 AUD 17,275.50 - Unit 2	Nov 30, 2022 - Unit 1 Oct 31, 2023 - Unit 2	Renewable upon mutual agreement of both parties
17	COSPAK NZ LTD. PREMIER PLASTICS LTD.	27 Ross Reid Place East Tamaki Auckland New Zealand 2013	Rented	Good	NZD 105,996.48	September 30, 2018	Renewable upon mutual agreement of both parties
18	FOSHAN NANHAI COSPAK PACKAGING COMPANY LIMITED	Beijia Team of Niande Village Committee, Nanfeng Road, Leping Town, Sanshui District, Foshan City, Guangdong Province, PRC	Rented	Good	1/9/2011 – 31/3/2014: Rent/Month - ¥ 39,968.00 1/4/2014 – 31/3/2017: Rent/Month - ¥43,964.80	1/9/2011 – 31/3/2017	Renewable upon mutual agreement of both parties
<b>FUEL AND OIL BUSINESS</b>							
1	PETRON CORPORATION						
	Terminals and Depots						
	Depot	J.P.de Carreon St. Punta Aparri, Cagayan	Rented except Building & Facilities	Good	11,103.09	December 31, 2021	Renewable at the option of the lessor
	Depot	PFDA CMPD., Navotas, M.M.	Rented except Building & Facilities	Good	933,270.00	December 31, 2039	Renewable upon mutual agreement of both parties
	Depot	Parola, Brgy. Maunlad, Puerto Princesa City, Palawan	Rented Except Building & Facilities	Good	4,548.83	November 30, 2020	Renewable at the option of the lessee
	Depot	Brgy. Camangi, Pasacao Camarines Sur	Rented except Building & Facilities	Good	95,166.67	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Depot	Poro Pt., San Fernando, La Union	Rented except Building & Facilities	Good	42,103.26	November 30, 2020	Renewable upon mutual agreement of both parties
	Depot	Gen. Trias, Rosario, Cavite	Rented except Building & Facilities	Good	211,420.00	August 31, 2018	Renewable at the option of the lessee

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	Depot	Tandayag, Amlan, Negros Oriental	Rented except Building and Facilities	Good	22,143.75	April 15, 2014	Renewable at the option of the lessee
	Depot	Bo. San Patricio, Bacolod City, Negros Occidental	Rented except Building & Facilities	Good	198,256.65	August 22, 2031	Renewable at the option of the lessee
	Depot	Lapuz, Iloilo City	Rented except Building & Facilities	Good	435,993.66	August 31, 2018	Renewable upon mutual agreement of both parties
	Depot	LIDE, Isabel, Leyte	Rented except Building & Facilities	Good	201,300.00	Yearly renewal	Renewable upon mutual agreement of both parties
	Depot	MEPZ, Lapu- lapu City	Rented except Building & Facilities	Good	50,250.00	August 31, 2020	Renewable upon mutual agreement of both parties
	Depot	Bo. Linao, Ormoc City, Leyte	Rented except Building & Facilities	Good	36,710.48	June 30, 2025	Renewable upon mutual agreement of both parties
	Depot	Arnaldo Blvd., Culasi, Roxas, City	Rented except Building & Facilities	Good	22, 920.18	December 31, 2021	Renewable upon mutual agreement of both parties
	Depot	Anibong, Tacloban City	Rented except Building & Facilities	Good	154,890.49	August 31, 2018	Renewable at the option of the lessee
	Depot	Graham Ave., Tagbilaran, Bohol	Rented except Building & Facilities	Good	14,795.60	August 31, 2018	Renewable at the option of the lessee
	Depot	Km. 9, Bo. Pampanga, Davao City	Rented except Buildings & Facilities	Good	139,314.01	August 31, 2018	Renewable at the option of the lessee
	Depot	Purok Cabu, Bawing, General Santos City	Rented except Buildings & Facilities	Good	257,961.73	September 01, 2035	Renewable at the option of the lessee
	Depot	Bo. Tuminobo, Iligan City, Lanao del Norte	Rented except Building & Facilities	Good	8,391.66	August 31, 2018	Renewable at the option of the lessee
	Depot	Jimenez, Misamis Occidental	Rented except Building and Facilities	Good	29,755.52	December 16, 2019	Renewable upon mutual agreement of both parties
	Depot	Talisay, Nasipit, Agusan del Norte	Rented except Building and Facilities	Good	514,103.00	January 1, 2038	Renewable upon mutual agreement of both parties
	Depot	Tagoloan, Misamis Oriental PNOC- 13,836 sq m	Rented except Building and Facilities	Good	11,800.41	August 31, 2018	Renewable at the option of the lessee
	Depot	Tagoloan, Misamis Oriental NVRC- 13,499 sq m.	Rented except Building and Facilities	Good	11,083.33	December 31, 2020	Renewable at the option of the lessee
	Depot	Bgy. Campo Islam, Lower Calarian, Zamboanga City	Rented except Building and Facilities	Good	25,133.65	August 31, 2018	Renewable at the option of the lessee
	Depot (LPG Operation)	Lakandula Drive, brgy. Bonot, Legaspi City	Rented except Building & Facilities	Good	38,056.60	August 31, 2018	Renewable at the option of the lessee
	Depot (Gasul - San Fernando)	San Fernando, Pampanga	Rented except Building and Facilities	Good	8,543.46	August 31, 2018	Renewable at the option of the lessee
	Sales Office	Roxas St., Brgy. Ilaya, Calapan City, Oriental Mindoro	Rented	Good	18,343.00	June 14, 2014	Renewable upon mutual agreement of both parties
	Sales Office	1020 A Mabini St., San Jose, Occidental Mindoro	Rented	Good	6,655.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Terminal	Bo. Mainaga, Mabini, Batangas	Rented except Building & Facilities	Good	35,000.00	August 31, 2018	Renewable at the option of the lessee
	Terminal	Petron Bataan Refinery, Limay, Bataan	Rented except Building & Facilities	Good	1,295.58	August 31, 2018	Renewable at the option of the lessee
	Terminal	Jesus St., Pandacan, Manila	Rented except Building & Facilities	Good	2,373,733.00	August 31, 2019	Renewable at the option of the lessee
	Terminal	Looc, Mandaue City, Cebu	Rented except Building & Facilities	Good	338,169.83	March 31, 2023	Renewable at the option of the lessee
	Terminal (Gasul – Pasig)	Bo. Ugong, Pasig, M.M	Rented except Building & Facilities	Good	842,309.29	August 31, 2018	Renewable at the option of the lessee
	Airport Installations	Davao Airport	Rented except Building & Facilities	Good	32,262.50	May 31, 2028	Renewable upon mutual agreement of both parties
	Airport Installations	Brgy. Airport, Mandurriao, Iloilo City	Rented except Building & Facilities	Good	17,800.00	May 31, 2017	Renewable upon mutual agreement of both parties
	Airport Installations	Laoag Airport Installation, Laoag Airport, Brgy. Araniw, Laoag City	Rented except Building & Facilities	Good	3,480.00	October 31, 2029	Renewable upon mutual agreement of both parties
	Airport Installations	NAIA Airport Installation (Petron) & JOCASP, JOCASP Compound, NAIA Complex, Pasay City	Rented except Building & Facilities	Good	361,946.73	December 31, 2035	Renewable at the option of the lessee

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>2</b>	<b>PETRON MALAYSIA REFINING &amp; MARKETING BHD</b>						
	<b>Refinery</b>						
	Port Dickson Refinery	Lot 2646 - Lot 2648, Port Dickson, Negeri Sembilan	Owned	Good			
	<b>Terminals and Depots</b>						
	Port Dickson Terminal	Batu 1.5, Jalan Pantai, 71009 Port dickson , Negeri Sembilan.	Owned	Good			
	Bagan Luar Terminal	LOT NO: 95-125 128 2328-2338 SEC 4 Butterworth, Penang	Owned	Good			
	Tasek Bulk Plant	40, Persiaran Tasek, Kawasan Perindustrian Tasek, 31400 Ipoh, Perak	Owned	Good			
	Kota Bharu Bulk Plant	Lot 231 & 233, Seksyen 13, Kota Baru, Kelantan	Owned	Good			
	KVDT- MPP	Km 18, Jalan Dengkil-Puchong, 43800 Dengkil, Selangor	Rented except Building & Facilities	Good	MYR 5,780	July 2016	Renewable upon mutual agreement of both parties
<b>3</b>	<b>PETRON FUEL INTERNATIONAL SDN BHD</b>						
	Kuantan Terminal	Lot 1836, Kem Sungai Karang, Tanjung Gelang, Kuantan Port, Kuantan. PAHANG	Rented	Good	Terminal 1 - MYR 15,689.2  Terminal 2 - MYR 10,806.80	Terminal 1 Dec 2027  Terminal 2 Dec 2017	Current rate is MYR10.96/sq.ft for first 3 years & shall be increased 10% every 3 years thereafter  Current rate is MYR8.01/sq.ft for last 7 years (rate revised every 7 years). Land owner will propose new rate when closer to contract expiry date.
	Pasir Gudang Terminal	Jalan Cecair Satu, Kawasan Perdagangan Bebas, Lembaga Pelabuhan Johor, 81707 Pasir Gudang, Johor.	Rented	Good	MYR 9,787.9  MYR 39,414.50/year (quit rent)	June 2051	An option for renewal for a period of thirty (30) years.
	Westport JV	Terminal Bersama Sdn Bhd, Jeti Petrokimia, Pelabuhan Barat, 49290 Pulau Indah, Selangor	Rented	Good	MYR 54,994.50	Aug 2024	Renewable upon expiry of these term
<b>4</b>	<b>PETRON OIL (M) SDN BHD</b>						
	Tawau Terminal	Jalan Tg Batu Laut, 91000 Tawau, SABAH	Rented except Building & Facilities	Good	MYR29.97	Oct 2902	No option
	Sandakan Terminal	Jalan Kampung Karamunting, Sandakan, SABAH	Rented except Building & Facilities	Good	MYR 587.7	May 2022	No option
	Sepangar Bay Terminal	P.O. Box 10558, Kota Kinabalu 88806, Sabah	Rented except Building & Facilities	Good	MYR 21,666.6	Dec 2015	An option for renewal for a period of thirty (30) years.
<b>POWER BUSINESS</b>							
<b>1</b>	<b>SAN MIGUEL ENERGY CORPORATION</b>						
	1000MW Sual Coal-Fired Thermal Power Plant	Brgy. Pangascasan, Sual, Pangasinan	IPPA with PSALM	Good			
<b>2</b>	<b>SOUTH PREMIERE POWER CORP.</b>						
	1200MW Ilijan Natural Gas Combined Cycle Power Plant	Brgy. Ilijan, Batangas City, Batangas	IPPA with PSALM	Good			
<b>3</b>	<b>STRATEGIC POWER DEVT. CORP.</b>						
	345MW San Roque Multi-Purpose Hydroelectric Power Plant	Brgy. San Roque, San Manuel, Pangasinan	IPPA with PSALM	Good			
<b>4</b>	<b>SMC POWERGEN INC.</b>						
	2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Units 1 & 3) and 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Units 4 & 5 - ongoing construction)	Brgy. Lamao, Limay, Bataan	Owned	Good			
<b>5</b>	<b>DAGUMA AGRO-MINERALS, INC.</b>						
	Land	Tambler, General Santos City	Owned	Good			

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<b>TELECOMMUNICATIONS BUSINESS</b>							
<b>1</b>	<b>BELL TELECOMMUNICATION PHILIPPINES, INC.</b>						
	Base Station	Chrysantemum St.Barangay Loma,Binan Laguna	Owned	Good			
	Warehouse	Soler corner Calero Street, Sta.Cruz Manila	Owned	Good			
	Main Office	4F 808 Bldg. Meralco Avenue,Brgy.San Antonio Pasig City	Owned	Good			
	Colocation	Roof Deck SMC Head Office Building	Owned	Good			
	Colocation	Roof Deck 808 Building Pasig City	Owned	Good			
	Colocation	3rd & 4th Floor Telecom Plaza Building	Owned	Good			
	Space Rental on Data Center	Telecom Plaza Building, Sen.Gil Puyat Ave.Makati City	Owned	Good			
	Space Rental on 6th Floor Office	6F Telecom Plaza Building, Sen.Gil Puyat Ave.Makati City	Owned	Good			
	Parking Space	E.Rodriguez Avenue Jr.Barangay Ugong,Paisg City	Owned	Good			
<b>2</b>	<b>EASTERN TELECOMMUNICATIONS PHILIPPINES, INC.</b>						
	Condominium Unit	Pearl Drive cor. Amethyst St., Brgy. San Antonio, Pasig City, Metro Manila	Owned	Good			
	Land/Building	Magenta Drive Corner Yellow St., Goodwill 2 Subdivision, Barangay San Dionisio, Paranaque City.	Owned	Good			
	Land	Lots 2080 & 2081 along M.H. Evangelista St., Barrio San Nicolas, San Antonio, Zambales	Owned	Good			
	Land/Building	Along Governor Drive Barangay Bancal, Carmona, Cavite	Owned	Good			
	Land/Building	No. 1861 P. Florentino Street, Sampaloc District, Manila	Owned	Good			
	Condominium Unit	2nd Floor, Midland Plaza, Adriatico Street, Malate District City Manila	Owned	Good			
	Land/Building	Nasugbu, Batangas	Owned	Good			
	Technical office	Telecoms Plaza, Sen. Gil Puyat Avenue Makati City, Metropolitan Manila	Building-Owned, Land-Rented	Good	76,160.00	July 22, 2081	Renewable upon mutual agreement of both parties
	Technical office	2nd Floor, National Press Club Building, Magallanes Drive, Intramuros, City of Manila	Rented	Good	50,005.56	February 28, 2015	Renewable upon mutual agreement of both parties
	Technical office	4th Floor, Araneta Square Mall, Bonifacio Monumento Circle, Caloocan City, Metropolitan Manila	Rented	Good	66,606.60	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Technical office	4th Floor, Old FTI Adminstration BLDG., Tauig City Metropolitan Manila	Rented	Good	19,471.00	December 31, 2015	Renewable upon mutual agreement of both parties
	Technical office	Carmela Industrial Complex Calamba, Laguna	Rented	Good	26,191.95	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Technical office	EPZA Compound, Rosario, Cavite	Rented	Good	13,481.79	December 31, 2014	Renewable upon mutual agreement of both parties
	Technical office	GoodWill II Subdivision, Parañaque City, Metropolitan Manila	Rented	Good	2,500.00	Continuing unless terminated and agreed by both parties	Renewable upon mutual agreement of both parties
	Technical office	Skyfreight Building, NAIA Road, Parañaque City Metropolitan Manila	Rented	Good	23,982.90	February 28, 2014	Renewable upon mutual agreement of both parties
<b>3</b>	<b>TELECOMMUNICATIONS TECHNOLOGIES PHILS., INC.</b>						
	Land	No. 120 Maharlika Highway (National Road), Brgy. Tallungan, Aparri, Cagayan	Owned	Good			
	Land	Calamaniugan-Sta. Ana Highway (National Road), Brgy. Bulala, Calaminiugan, Cagayan Valley	Owned	Good			
	Land	Maharlika Highway (National Road) Brgy. Bagumbayan, Lal-Lo, Cagayan Valley	Owned	Good			
	Land	No. 31 Rizal Street, Brgy. Centro 4 (Poblacion) Tuguegarao City	Owned	Good			
	Land	Cabaruan Road, Barrio Cabaruan, Cauayan, Isabela	Owned	Good			
	Land	Provincial Road, Brgy. Guinatan, Ilagan, Isabela	Owned	Good			
	Land	Judge Taguinod corner Tumanut Streets, Brgy. Villasis, Santiago City, Isabela	Owned	Good			
	Land	Aratal Street corner Maharlika Highway (Provincial Road), Barrio Roxas, Solano, Nueva Vizcaya	Owned	Good			
	Land	Dumlao Blvd. corner Basa St., Brgy. Don Domingo, Maddela, Bayombong, Nueva Vizcaya	Owned	Good			

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	Land/Building	Jose Abad Santos Avenue, Tondo District, Manila	Owned	Good			
	Land (Warehouse)	Corners of Comandante/Calero/Soler Streets, Sta. Cruz District, Manila (M3)	Owned	Good			
	Land	Corners of Heroes Del 96/M Arce/Calaanan Streets, Barangay Calaanan, Caloocan City (M4)	Owned	Good			
<b>INFRASTRUCTURE BUSINESS</b>							
<b>1</b>	<b>RAPID THOROUGHFARES INC.</b>						
	Land	Brygy. Malipangpang, San Ildefonso Bulacan	Owned	Good			
	Land	Brygy. Sta. Arcadia, Cabantuan City, Nueva Ecija	Owned	Good			
<b>2</b>	<b>OPTIMAL INFRASTRUCTURE DEVELOPMENT INC.</b>						
	Land	Road Lot 14/Road 9 New Harbour Center, Tondo, Manila	Owned	Good			
<b>3</b>	<b>ALLOY MANILA TOLL EXPRESSWAYS INC.</b>						
	Land	Km44 South Luzon Expressway North Bound, Sitio Latian, Brgy. Mapagong, Calamba City, Laguna	Owned	Good			
<b>4</b>	<b>TRANS AIRE DEVELOPMENT HOLDINGS, CORP.</b>						
	Office Space	24/F San Miguel Properties Center, 7 St. Francis St., Ortigas Center, Mandaluyong City	Owned	Good			
	Office Space	Godofredo P. Ramos Airport, Caticlan, Malay, Aklan	Rented	Good	73,500.00	Sept. 30, 2016	Subject to renewal or extension as mutually agreed between the parties
	Stock Room	Godofredo P. Ramos Airport, Caticlan, Malay, Aklan	Rented	Good	6,000.00	July 31, 2014	Subject to renewal or extension as mutually agreed between the parties
	Staff House	Godofredo P. Ramos Airport, Caticlan, Malay, Aklan	Rented	Good	25,000.00	July 02, 2014	Subject to renewal or extension as mutually agreed between the parties
	AVSEC Barracks	Godofredo P. Ramos Airport, Caticlan, Malay, Aklan	Rented	Good	9,000.00	Dec. 14, 2013	Subject to renewal or extension as mutually agreed between the parties
<b>5</b>	<b>UNIVERSAL LRT CORPORATION (BVI) LIMITED</b>						
	Office Space	4th Floor, Pacific Star Bldg. Low Rise, Makati Avenue	Rented	Good	6,540.00	Continuing unless terminated and agreed by both parties	Subject to renewal or extension as mutually agreed between the parties
<b>6</b>	<b>PRIVATE INFRA DEV CORPORATION</b>						
	Condominium	Unit 6, Upper Ground,Pioneer Highlands Condominium Pioneer Corner Madison Sts., Mandaluyong City(inclusive of 3 Parking slots)	Owned	Good			
	Condominium (Parking Slots)	5 Parking slots at Upper Ground,Pioneer Highlands Condominium Pioneer Corner Madison Sts., Mandaluyong City	Owned	Good			
	Office Space	Satellite Office 1, San Pascual, Tarlac City	Rented	Good	20,000.00	May 31, 2014	Subject to renewal or extension as mutually agreed between the parties
	Office Space	Satellite Office 3, Brgy Salcedo,San Manuel, Tarlac City	Rented	Good	25,000.00	May 15, 2014	Subject to renewal or extension as mutually agreed between the parties
	Office Space	Core Office - Gerona, Tarlac	Owned	Good			
<b>7</b>	<b>STAR INFRASTRUCTURE DEVELOPMENT CORPORATION</b>						
	Land	Brgy. Lapu-Lapu, Ibaan, Batangas	Owned	Good			
	Office Space	7th floor Electra House Condominium, 115 - 117 Esteban St. Cor. via Rufino St. Legaspi Village, Makati City	Rented	Good	45,049.70	January 31, 2015	Renewable every two years
<b>MINING AND OTHERS</b>							
<b>1</b>	<b>SAN MIGUEL CORPORATION</b>						
	Iligan Coconut Oil Mill	Sta.Filomena, Iligan City	Owned	Good			
	Land and Warehouse	A. Del Rosario Ave, Brgy. Tipolo, Mandaue City	Owned	Good			
	Land	Banilad Mandaue - Petron Station	Owned	Good			
	Land	Alfonso Cavite - Management Training Center	Owned	Good			
	Office Space	Meralco Ave., Pasig City - 808 Building	Owned	Good			
	Warehouse only	Northbay Blvd., Navotas, Metro Manila	Owned	Good			
	Land	San Fernando Pampanga SMFI Poultry	Owned	Good			
	Office Space	San Miguel Ave., Mandaluyong City - SMC Corporate Office	Owned	Good			
	Land	San Rafael, Tarlac - Petron Station	Owned	Good			
	Land	Tagaytay- Petron Station	Owned	Good			
	Land	Tunasan - Petron Station	Owned	Good			

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
<b>2</b>	<b>PROPERTIES BUSINESS</b>						
	San Miguel Properties, Inc.						
	Office Spaces	PET Plans Tower, Makati (E.L. Tower)	Owned	Good			
	Office Spaces	San Miguel Properties Centre, Mandaluyong	Owned	Good			
	Office Building	155 Edsa (SMITS), Ortigas Center, Mandaluyong	Owned	Good			
	Land	620 Lee St., Mandaluyong City	Owned	Good			
	Land	San Isidro Road cor. Unnamed road lot, Brgy. Tatalon, Cabuyao, Laguna	Owned	Good			
	Land and Building	808 Bldg. Meralco Avenue corner General Lim St. Brgy. San Antonio, Pasig City	Owned	Good			
	Land	Filinvest Corporate City, Muntinlupa	Owned	Good			
	Land	Brgy. Canlubang and Majada, Calamba City, Laguna	Owned	Good			
	Land	Bo. de Fuego, Gen. Trias, Cavite	Owned	Good			
	Land	Barrio Sinaliw Munti, Alfonso, Cavite	Owned	Good			
	Land	Barangays of Mabatac, Sinaliw and Kaytitinga, Alfonso, Cavite	Owned	Good			
	Land	Brgys. Lourdes and Santiago, Lubao, Pampanga	Owned	Good			
	Land	Brgy. Asid (Malinta), Masbate	Owned	Good			
	Land	Brgy. Tagabuli, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Darong, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Bato, Sta. Cruz, Davao del Sur	Owned	Good			
	Land	Brgy. Yapak, Boracay Island, Malay, Aklan	Owned	Good			
	Land	327 Brgy. Prenza-San Fermin, Cauayan City, Isabela	Owned	Good			
	Land	471 F. Ortigas St., Brgy. Hagdang Bato Libis, Mandaluyong City	Owned	Good			
	Land	Dr. A Santos Ave. (Sucat Road), Parañaque City	Owned	Good			
	Land	Brgy. Boot, Tanuan, Batangas	Owned	Good			
	Land	Maragondon / Mabacao - Magallanes Road, Brgy. Mabato, Maragondon, Cavite	Owned	Good			
	Land	Acacia St., Brgy. Hagdang Bato, Mandaluyong City	Owned	Good			
	Land	Sixto Avenue, Maybunga, Pasig City	Owned	Good			
	Land	National Road, Barangay Bunawan, Davao City	Owned	Good			
	Bel-Aldea Realty, Inc.						
	Land and Building	No. 77 IPO St. Brgy. Paang Bundok, La Loma, Quezon City	Owned	Good			
	Bright Ventures Realty, Inc.						
	Land	A. Marcos cor M.H. del Pilar and A. Mabini Sts., Addition Hills, San Juan City	Owned	Good			
	Land	No. 168 Pliar Corner P. Zamora Sts., Brgy. Addition Hills, San Juan City	Owned	Good			
	Brillar Realty and Development Corp.						
	Land	Limbones Island, Brgy. Papaya, Nasugbu, Batangas	Owned	Good			
	Dimanyan Wakes Holdings, Inc.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Busuanga Bay Holdings Inc.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Bulalacao Property Holdings, Inc.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Calamian Prime Holdings, Inc.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Palawan White Sands Holdings Corp.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Coron Islands Holdings, Inc.						
	Land	Bo. Bulalacao, Bulalacao Island, Coron, Palawan	Owned	Good			
	Rapidshare Realty, Inc.						
	Land	341 Northwestern St., Brgy. Wack-Wack, Greenhills, Mandaluyong City	Owned	Good			
	SMC Originals, Inc.						
	Land	Antonio Arnaiz Avenue coner Estacion St., Brgy. Pio del Pilar, Makati City	Owned	Good			
	Silang Resources, Inc.						
	Land	Brgy. Biluso, Silang, Cavite	Owned	Good			

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	Tanauan Resources, Inc.						
	Land	No. 34 McKinley Road, Brgy. Forbes Park (North Side), Makati City	Owned	Good			
	SMPI Makati Flagship Realty Corp.						
	Land and Building	Legaspi St., Legaspi Village, Makati City	Owned	Good			
	Carnell Realty, Inc.						
	Land	621 Lee St., Mandaluyong City	Owned	Good			
	Grandioso Realty Corporation						
	Land	Brgy. Tumbler, General Santos City	Owned	Good			
	Sta. Cruz Resource Management, Inc.						
	Land and Building	No. 50 Mercedes Cor. Hydra St., Bel-Air 3, Makati City	Owned	Good			
	Maison 17 Properties, Inc.						
	Land	Legaspi St., Legaspi Village, Makati City	Owned	Good			
	Integrated Geosolutions, Inc.						
	Land	Bo.Diezmo, Cabuyao, Laguna	Owned	Good			
	Legacy Homes, Inc.						
	Land	Brgy. Bungoy, Dolores, Quezon	Owned	Good			
	512 Acacia Holdings, Inc.						
	Land	512 Acacia Ave., Ayala Alabang Village Phase II-A, Barangay Alabang, Muntinlupa City	Owned	Good			
	First Monte Sierra Realty Corp						
	Land	Brgy. San Antonio, Basco, Batanes	Owned	Good			
	La Verduras Realty Corp						
	Land	No.28 Delgado Street, San Antonio Village, Pasig City	Owned	Good			
<b>3</b>	<b>PACIFIC CENTRAL PROPERTIES, INC.</b>						
	Land	Limay, Combined Power Plant, Limay Bataan	Owned	Good			
	Land	Dauin, Negros Oriental	Owned	Good			
	Land	Outlook Drive, Baguio City	Owned	Good			
<b>4</b>	<b>SMC SHIPPING AND LIGHTERAGE CORP.</b>						
	Land	Blk 4 Lot 9 Harbour Centre, Manila	Owned	Good			
	Land	Mariveles, Bataan	Owned	Good			
	Land	Mariveles, Bataan	Owned	Good			
	Land	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
	Land	Mabini, Batangas	Owned	Good			
	Land	Cortes, Bohol	Owned	Good			
	Building & 19 Warehouses	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
	Building (Multi-purpose)	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
	Building (Planters)	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
	Building (Purefoods)	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
	Building (Canteen)	Ouano Wharf, Mandaue City, Cebu	Owned	Good			
<b>5</b>	<b>SM BULK WATER CO., INC.</b>						
	Land	Bobulusan, Guinobatan, Albay	Owned	Good			
	Land	Brgy. Batang, Ligao City	Owned	Good			
<b>6</b>	<b>SMC STOCK TRANSFER SERVICE CORPORATION</b>						
	Office Space	Units 1505-07 Robinsons Equitable Tower ADB Avenue cor. Poveda, Ortigas Center, Pasig City	Owned	Good			
	Parking Space	Parking slots No. 31, 32 & 33 Robinsons Equitable Tower ADB Avenue cor. Poveda, Ortigas Center, Pasig City	Owned	Good			
<b>7</b>	<b>MINING BUSINESS</b>						
	Clariden Holdings, Inc., Prima Lumina Gold Mining Corp.						
	Office Space	40 San Miguel Avenue, Mandaluyong City (Head Office)	Owned	Good			
	Clariden Holdings, Inc., V.I.L. Mines, Incorporated, Excelon Asia Holding Corporation, New Manila Properties, Inc., Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, Philnico Processing Corp.						
	Office Space	155 EDSA, Barangay Wack-Wack, Mandaluyong City	Owned	Good			
	Prima Lumina Gold Mining Corp.						
	Office Space	Green Valley Homes Subdivision, Purok 2, Poblacion, Compostela, Compostela Valley	Rented	Good	15,000.00	December 10, 2014	Renewable upon mutual agreement of both parties

Company Name / Subsidiary		Address	Rented / Owned	Condition	Monthly Rental ( In PhP, Unless Otherwise Indicated)	Expiry of Lease Contract	Terms of Renewal/Options
	V.I.L. Mines, Incorporated						
	Office Space	#4 Panaligan Apartment, Poblacion, Sta. Elena, Camarines Norte	Rented	Good	3,000.00	Continuing unless terminated and agreed by both parties	Continuing unless terminated and agreed by both parties
	Asia-Alliance Mining Resources Corp.						
	Office Space	2302, 23rd Floor 88 Corporate Center, Valero cor. Sedeño Sts., Salcedo Village, Makati City	Owned	Good			
	South Western Cement Corporation						
	Office Space	GPL Building, 221 Senator Gil Puyat Avenue, Makati City	Owned	Good			
	Pacific Nickel Philippines, Inc						
	Mine Site Admin/Central Office	Bgy Talisay, Nonoc Island, Surigao City	Owned	Good			
	Philnico Processing Corp						
	Mine Site Admin/Central Office	Bgy Talisay, Nonoc Island, Surigao City	Owned	Good			
	Processing Plant	Bgy Talisay, Nonoc Island, Surigao City	Owned	For Rehabilitation			

Note: All owned properties are free of liens and encumbrances.

ANNEX “D”  
ANNEX “D-1”

TOP FRONTIER INVESTMENT HOLDINGS, INC.  
2013  
CONSOLIDATED FINANCIAL STATEMENTS  
and  
AUDITOR’S PTR

# COVER SHEET

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S.E.C. Registration Number

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H	O	L	D	I	N	G	S	,		I	N	C	.		A	N	D												
S	U	B	S	I	D	I	A	R	I	E	S																		

(Company's Full Name)

5	t	h		F	l	o	o	r	,		E	N	Z	O		B	u	i	l	d	i	n	g					
3	9	9		S	e	n	.		G	i	l		J	.		P	u	y	a	t		A	v	e	n	u	e	
M	a	k	a	t	i		C	i	t	y																		

(Business Address: No. Street Company / Town / Province)

Ms. Bella O. Navarra
----------------------

Contact Person

632-3000
----------

Company Telephone Number

1	2
---	---

Month

3	1
---	---

Day

--

FORM TYPE

--	--

Month

--	--

Day

Annual Meeting

--

Secondary License Type, If Applicable

--	--	--

Dept. Requiring this Doc.

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Amended Articles Number/Section

--	--	--	--	--

Total No. of Stockholders

--	--	--	--	--	--	--

Domestic

--	--	--	--	--	--	--

Foreign

Total Amount of Borrowings

To be accomplished by SEC Personnel concerned

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File Number

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Cashier

STAMPS									

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**TOP FRONTIER INVESTMENT HOLDINGS, INC.  
AND SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
December 31, 2013  
and  
INDIVIDUAL FINANCIAL STATEMENTS  
December 31, 2012 and 2011**

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Top Frontier Investment Holdings, Inc.

We have audited the accompanying consolidated financial statements of Top Frontier Investment Holdings, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information. Also, we have audited the accompanying individual financial statements of Top Frontier Investment Holdings, Inc., which comprise the individual statement of financial position as at December 31, 2012 and the individual statements of income, individual statements of comprehensive income, individual statements of changes in equity and individual statements of cash flows for the years ended December 31, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.



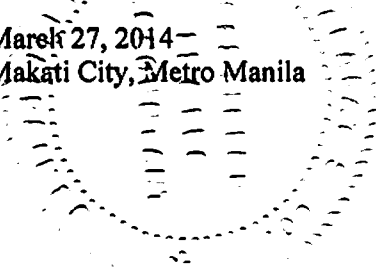
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Top Frontier Investment Holdings, Inc. and Subsidiaries as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards. Also, in our opinion, the individual financial statements present fairly, in all material respects, the stand-alone financial position of Top Frontier Investment Holdings, Inc. as at December 31, 2012, and its stand-alone financial performance and its stand-alone cash flows for the years ended December 31, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

*R. G. Manabat S. L.*

March 27, 2014 –  
Makati City, Metro Manila



**R.G. Manabat & Co.**

The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
E-Mail [manila@kpmg.com.ph](mailto:manila@kpmg.com.ph)

Branches: Subic · Cebu · Bacolod · Iloilo

## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Top Frontier Investment Holdings, Inc.  
5<sup>th</sup> Floor, ENZO Building  
399 Sen. Gil J. Puyat Avenue, Makati City

We have audited the accompanying consolidated financial statements of Top Frontier Investment Holdings, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as at December 31, 2013 and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information. Also, we have audited the accompanying individual financial statements of Top Frontier Investment Holdings, Inc., which comprise the individual statement of financial position as at December 31, 2012 and the individual statements of income, individual statements of comprehensive income, individual statements of changes in equity and individual statements of cash flows for the years ended December 31, 2012 and 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the 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 financial statements.

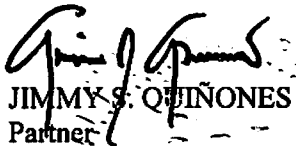


We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Top Frontier Investment Holdings, Inc. and Subsidiaries as at December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Philippine Financial Reporting Standards. Also, in our opinion, the individual financial statements present fairly, in all material respects, the stand-alone financial position of Top Frontier Investment Holdings, Inc. as at December 31, 2012, and its stand-alone financial performance and its stand-alone cash flows for the years ended December 31, 2012 and 2011 in accordance with Philippine Financial Reporting Standards.

**R.G. MANABAT & CO.**

  
JIMMY S. QUINONES  
Partner

CPA License No. 0085650

SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-072-024

BIR Accreditation No. 08-061987-17-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 4225140MC

Issued January 2, 2014 at Makati City

March 27, 2014

Makati City, Metro Manila



**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The management of **TOP FRONTIER INVESTMENT HOLDINGS, INC.** (the "Company") is responsible for the preparation and fair presentation of the consolidated financial statements for the year ended December 31, 2013 and the individual financial statements for the years ended December 31, 2012 and 2011, including the additional components therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the 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 circumstances.

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

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



**IÑIGO U. ZOBEL**  
Chairman of the Board



**RAMON S. ANG**  
President & Chief Executive Officer



**BELLA C. NAVARRA**  
Chief Financial Officer

Signed this 27<sup>th</sup> day of March, 2014

REPUBLIC OF THE PHILIPPINES )  
Mandaluyong City ) S. S.


Before me, a Notary Public for and in Mandaluyong City this 27<sup>th</sup> day of March 2014, personally appeared the following:

<u>Name</u>	<u>Passport No.</u>	<u>Date/Place of Issue</u>
Mr. Iñigo Zobel	XX2831558	02/21/13/Manila
Mr. Ramon S. Ang	XX0492943	02/22/13/Manila
Mr. Bella O. Navarra	EB6339121	09/14/12/Manila

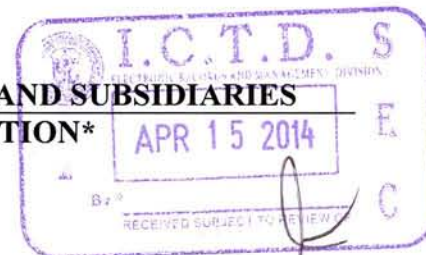
known to me to be the same persons who executed the foregoing instrument and that they acknowledged to me that the same is their free and voluntary act and deed and that of the corporation they represent.

IN WITNESS WHEREOF, I have hereunto affixed my notarial seal at the date and place first above written.

Doc. No. 434;  
Page No. 88;  
Book No. IV;  
Series of 2014.

  
MAJALLA S. BAUN  
Commission No. 0223-13  
Notary Public for Mandaluyong City  
Until Dec. 31, 2014  
SMC, 40 San Miguel Ave., Mandaluyong City  
Roll No. 45149  
PTR No. 1945020; 01/03/10; Mandaluyong City  
IBP Lifetime Member No. 342375; 01/05/11; Makati City

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION\***  
(In Millions)



**December 31**

	<i>Note</i>	<b>2013 Consolidated</b>	<b>2012 Individual</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 8, 39, 40	<b>P191,813</b>	P203
Trade and other receivables - net	4, 5, 9, 12, 32, 34, 39, 40	<b>165,585</b>	551
Inventories	4, 5, 10	<b>79,391</b>	-
Current portion of biological assets - net	5, 16	<b>3,427</b>	-
Prepaid expenses and other current assets	4, 5, 11, 12, 13, 33, 39, 40	<b>37,738</b>	10
		<b>477,954</b>	764
Assets held for sale	5, 7	<b>8,798</b>	-
<b>Total Current Assets</b>		<b>486,752</b>	764
<b>Noncurrent Assets</b>			
Investments and advances - net	4, 5, 12	<b>60,874</b>	-
Available-for-sale financial assets	4, 5, 13, 39, 40	<b>6,168</b>	165,805
Property, plant and equipment - net	4, 5, 14, 33	<b>425,972</b>	-
Investment property - net	4, 5, 15	<b>4,176</b>	-
Biological assets - net of current portion	4, 5, 16	<b>1,911</b>	-
Goodwill	4, 5, 17, 37	<b>91,129</b>	-
Other intangible assets - net	4, 5, 17	<b>49,679</b>	-
Deferred tax assets	4, 5, 23	<b>15,793</b>	-
Other noncurrent assets - net	4, 5, 18, 32, 34, 39, 40	<b>50,100</b>	-
<b>Total Noncurrent Assets</b>		<b>705,802</b>	165,805
		<b>P1,192,554</b>	P166,569
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	5, 19, 32, 39, 40	<b>P143,740</b>	P -
Accounts payable and accrued expenses	5, 20, 32, 34, 39, 40	<b>128,071</b>	10,826
Finance lease liabilities - current portion	4, 5, 33, 39, 40	<b>15,654</b>	-
Income and other taxes payable	5	<b>13,131</b>	69
Dividends payable	5	<b>2,761</b>	-
Current maturities of long-term debt - net of debt issue costs	5, 21, 32, 39, 40	<b>71,522</b>	-
<b>Total Current Liabilities</b>		<b>374,879</b>	10,895

Forward

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**STATEMENTS OF FINANCIAL POSITION\***  
(In Millions)

		December 31	
	<i>Note</i>	2013 Consolidated	2012 Individual
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	5, 8, 39, 40	P191,813	P203
Trade and other receivables - net	4, 5, 9, 12, 32, 34, 39, 40	165,585	551
Inventories	4, 5, 10	79,391	-
Current portion of biological assets - net	5, 16	3,427	-
Prepaid expenses and other current assets	4, 5, 11, 12, 13, 33, 39, 40	37,738	10
		477,954	764
Assets held for sale	5, 7	8,798	-
<b>Total Current Assets</b>		<b>486,752</b>	<b>764</b>
<b>Noncurrent Assets</b>			
Investments and advances - net	4, 5, 12	60,874	-
Available-for-sale financial assets	4, 5, 13, 39, 40	6,168	165,805
Property, plant and equipment - net	4, 5, 14, 33	425,972	-
Investment property - net	4, 5, 15	4,176	-
Biological assets - net of current portion	4, 5, 16	1,911	-
Goodwill	4, 5, 17, 37	91,129	-
Other intangible assets - net	4, 5, 17	49,679	-
Deferred tax assets	4, 5, 23	15,793	-
Other noncurrent assets - net	4, 5, 18, 32, 34, 39, 40	50,100	-
<b>Total Noncurrent Assets</b>		<b>705,802</b>	<b>165,805</b>
		<b>P1,192,554</b>	<b>P166,569</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans payable	5, 19, 32, 39, 40	P143,740	P -
Accounts payable and accrued expenses	5, 20, 32, 34, 39, 40	128,071	10,826
Finance lease liabilities - current portion	4, 5, 33, 39, 40	15,654	-
Income and other taxes payable	5	13,131	69
Dividends payable	5	2,761	-
Current maturities of long-term debt - net of debt issue costs	5, 21, 32, 39, 40	71,522	-
<b>Total Current Liabilities</b>		<b>374,879</b>	<b>10,895</b>

Forward

December 31			
	<i>Note</i>	2013 Consolidated	2012 Individual
<b>Noncurrent Liabilities</b>			
Long-term debt - net of current maturities and debt issue costs	5, 21, 32, 39, 40	<b>P264,690</b>	P26,099
Deferred tax liabilities	5, 23	<b>11,591</b>	-
Finance lease liabilities - net of current portion	4, 5, 33, 39, 40	<b>179,394</b>	-
Other noncurrent liabilities	4, 5, 22, 32, 34, 39, 40	<b>25,506</b>	-
<b>Total Noncurrent Liabilities</b>		<b>481,181</b>	26,099
<b>Equity</b>	24, 35, 36		
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
Capital stock - common		<b>490</b>	490
Capital stock - preferred		<b>260</b>	260
Additional paid-in capital		<b>120,501</b>	92,500
Revaluation increment		<b>(228)</b>	-
Reserve for retirement plan		<b>913</b>	-
Cumulative translation adjustments		<b>241</b>	13,727
Retained earnings:			
Appropriated		<b>276</b>	-
Unappropriated		<b>45,392</b>	35,497
Treasury stock		<b>(76,780)</b>	(12,899)
		<b>91,065</b>	129,575
<b>Non-controlling Interests</b>	2, 5	<b>245,429</b>	-
<b>Total Equity</b>		<b>336,494</b>	129,575
		<b>P1,192,554</b>	P166,569

\*The statement of financial position as of December 31, 2013 refers to the consolidated accounts of the Group while the statement of financial position as of December 31, 2012 refers to the accounts of Top Frontier Investment Holdings, Inc. (Note 5).

See Notes to the Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**

**STATEMENTS OF INCOME\***

**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

(In Millions, Except Per Share Data)

	<i>Note</i>	<b>2013 Consolidated</b>	2012 Individual	2011 Individual
<b>SALES</b>	32	<b>P205,157</b>	P -	P -
<b>COST OF SALES</b>	25	<b>173,637</b>	-	-
<b>GROSS PROFIT</b>		<b>31,520</b>	-	-
<b>SELLING AND ADMINISTRATIVE EXPENSES</b>	26	<b>(22,576)</b>	(157)	(372)
<b>INTEREST EXPENSE AND OTHER FINANCING CHARGES</b>	19, 21, 29, 32, 33	<b>(10,290)</b>	(2,197)	(1,850)
<b>INTEREST INCOME</b>	30	<b>893</b>	6	11
<b>EQUITY IN NET EARNINGS OF ASSOCIATES AND JOINT VENTURES</b>	12	<b>21</b>	-	-
<b>GAIN ON SALE OF INVESTMENTS, AVAILABLE- FOR-SALE FINANCIAL ASSETS AND PROPERTY AND EQUIPMENT</b>	12, 14	<b>30,756</b>	-	1,138
<b>OTHER CHARGES - Net</b>	13, 31, 39, 40	<b>(5,070)</b>	(10,084)	(10,063)
<b>INCOME (LOSS) BEFORE INCOME TAX</b>		<b>25,254</b>	(12,432)	(11,136)
<b>INCOME TAX EXPENSE</b>	23, 41	<b>1,592</b>	1	1
<b>NET INCOME (LOSS)</b>		<b>P23,662</b>	(P12,433)	(P11,137)
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>P10,437</b>	(P12,433)	(P11,137)
Non-controlling interests	5	<b>13,225</b>	-	-
		<b>P23,662</b>	(P12,433)	(P11,137)
<b>Basic/Diluted Earnings (Loss) Per Common Share Attributable to Equity Holders of the Parent Company</b>	36	<b>P20.67</b>	(P27.91)	(P25.69)

\*The statement of income for the year ended December 31, 2013 refers to the consolidated accounts of the Group while the statements of income for the years ended December 31, 2012 and 2011 refer to the accounts of Top Frontier Investment Holdings, Inc. (Note 5).

See Notes to the Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**

**STATEMENTS OF COMPREHENSIVE INCOME\***  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

(In Millions)

	<i>Note</i>	<b>2013 Consolidated</b>	<b>2012 Individual</b>	<b>2011 Individual</b>
<b>NET INCOME (LOSS)</b>		<b>P23,662</b>	(P12,433)	(P11,137)
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Equity reserve for retirement plan	34	<b>1,648</b>	-	-
Income tax expense		<b>(380)</b>	-	-
Share in other comprehensive loss of associates and joint ventures - net	12	<b>(409)</b>	-	-
		<b>859</b>	-	-
<b>ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS</b>				
Loss on exchange differences on translation of foreign operations		<b>(755)</b>	-	-
Net loss on available-for-sale financial assets	13	<b>(12,008)</b>	(12,699)	(75,460)
Income tax benefit		<b>60</b>	-	-
		<b>(12,703)</b>	(12,699)	(75,460)
<b>OTHER COMPREHENSIVE LOSS - Net of tax</b>		<b>(11,844)</b>	(12,699)	(75,460)
<b>TOTAL COMPREHENSIVE INCOME (LOSS) - Net of tax</b>		<b>P11,818</b>	(P25,132)	(P86,597)
<b>Attributable to:</b>				
Equity holders of the Parent Company		<b>(P2,136)</b>	(P25,132)	(P86,597)
Non-controlling interests	5	<b>13,954</b>	-	-
		<b>P11,818</b>	(P25,132)	(P86,597)

\*The statement of comprehensive income for the year ended December 31, 2013 refers to the consolidated accounts of the Group while the statements of comprehensive income for the years ended December 31, 2012 and 2011 refer to the accounts of Top Frontier Investment Holdings, Inc. (Note 5).

*See Notes to the Financial Statements.*

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CHANGES IN EQUITY\***  
**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**  
(In Millions)

		Equity Attributable to Equity Holders of the Parent Company												
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Reserve for Retirement Plan	Cumulative Translation Adjustments		Retained Earnings		Treasury Stock	Total	Non- controlling Interests	Total Equity
	Note	Common	Preferred				Translation Reserve	Fair Value Reserve	Appro- priated	Unappro- priated				
As of January 1, 2011		P490	P260	P92,500	P -	P -	P -	P101,886	P -	P62,014	P -	P257,150	P -	P257,150
Net loss on available-for-sale financial assets		-	-	-	-	-	-	(75,460)	-	-	-	(75,460)	-	(75,460)
Net loss		-	-	-	-	-	-	-	-	(11,137)	-	(11,137)	-	(11,137)
Total comprehensive loss		-	-	-	-	-	-	(75,460)	-	(11,137)	-	(86,597)	-	(86,597)
Cash dividends	35	-	-	-	-	-	-	-	-	(1,087)	-	(1,087)	-	(1,087)
As of December 31, 2011		490	260	92,500	-	-	-	26,426	-	49,790	-	169,466	-	169,466
Net loss on available-for-sale financial assets		-	-	-	-	-	-	(12,699)	-	-	-	(12,699)	-	(12,699)
Net loss		-	-	-	-	-	-	-	-	(12,433)	-	(12,433)	-	(12,433)
Total comprehensive loss		-	-	-	-	-	-	(12,699)	-	(12,433)	-	(25,132)	-	(25,132)
Cash dividends	35	-	-	-	-	-	-	-	-	(1,860)	-	(1,860)	-	(1,860)
Partial redemption of preferred shares	24	-	-	-	-	-	-	-	-	-	(12,899)	(12,899)	-	(12,899)
As of December 31, 2012		490	260	92,500	-	-	-	13,727	-	35,497	(12,899)	129,575	-	129,575
Gain (loss) on exchange differences on translation of foreign operations		-	-	-	-	-	(1,121)	-	-	-	-	(1,121)	366	(755)
Share in other comprehensive income (loss) of associates and joint ventures - net	12	-	-	-	-	-	-	(410)	-	-	-	(410)	1	(409)
Net gain (loss) on available-for- sale financial assets	13	-	-	-	-	-	-	(11,955)	-	-	-	(11,955)	7	(11,948)
Equity reserve for retirement plan	34	-	-	-	-	913	-	-	-	-	-	913	355	1,268
Other comprehensive income (loss)		-	-	-	-	913	(1,121)	(12,365)	-	-	-	(12,573)	729	(11,844)
Net income		-	-	-	-	-	-	-	-	10,437	-	10,437	13,225	23,662
Total comprehensive income (loss)		-	-	-	-	913	(1,121)	(12,365)	-	10,437	-	(2,136)	13,954	11,818

Forward

Equity Attributable to Equity Holders of the Parent Company														
	Note	Cumulative Translation												
		Capital Stock		Additional Paid-in Capital	Revaluation Increment	Reserve for Retirement Plan	Adjustments		Retained Earnings		Treasury Stock	Total	Non- controlling Interests	Total Equity
		Common	Preferred				Translation Reserve	Fair Value Reserve	Appro- priated	Unappro- priated				
Receipt of own shares as property dividends	5, 24	P -	P -	P28,001	P -	P -	P -	P -	P -	P -	(P28,001)	P -	P -	P -
Own shares held by a subsidiary	24	-	-	-	-	-	-	-	-	-	(35,880)	(35,880)	-	(35,880)
Net addition to non-controlling interests and others	5, 12	-	-	-	(228)	-	-	-	-	-	-	(228)	236,399	236,171
Cash dividends	35	-	-	-	-	-	-	-	-	(266)	-	(266)	(4,924)	(5,190)
Appropriations - net	24	-	-	-	-	-	-	-	276	(276)	-	-	-	-
<b>As of December 31, 2013</b>		<b>P490</b>	<b>P260</b>	<b>P120,501</b>	<b>(P228)</b>	<b>P913</b>	<b>(P1,121)</b>	<b>P1,362</b>	<b>P276</b>	<b>P45,392</b>	<b>(P76,780)</b>	<b>P91,065</b>	<b>P245,429</b>	<b>P336,494</b>

\*The statement of changes in equity for the year ended December 31, 2013 refers to the consolidated accounts of the Group while the statements of changes in equity for the years ended December 31, 2012 and 2011 refer to the accounts of Top Frontier Investment Holdings, Inc. (Note 5).

See Notes to the Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOWS\***

**FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011**

(In Millions)

	<i>Note</i>	<b>2013 Consolidated</b>	2012 Individual	2011 Individual
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income (loss) before income tax		<b>P25,254</b>	(P12,432)	(P11,136)
Adjustments for:				
Depreciation, amortization, foreign exchange losses (gains) and others - net	6, 27	<b>19,037</b>	(1,952)	(26)
Interest expense and other financing charges	29	<b>10,290</b>	2,197	1,850
Interest income	30	<b>(893)</b>	(6)	(11)
Equity in net earnings of associates and joint ventures	12	<b>(21)</b>	-	-
Gain on sale of investments, available-for-sale financial assets and property and equipment	12, 13, 14	<b>(30,756)</b>	-	(1,138)
Dividend income	13, 31	<b>(1,721)</b>	(2,665)	(1,568)
Loss on derivative assets	13, 31, 40	<b>1,241</b>	14,759	11,703
Operating income (loss) before working capital changes		<b>22,431</b>	(99)	(326)
Changes in noncash current assets, certain current liabilities and others	37	<b>16,829</b>	65	-
Cash generated from (absorbed by) operations		<b>39,260</b>	(34)	(326)
Interest and other financing charges paid		<b>(10,181)</b>	(2,482)	(1,850)
Income taxes paid		<b>(1,408)</b>	(1)	-
Net cash flows provided by (used in) operating activities		<b>27,671</b>	(2,517)	(2,176)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	37	<b>178,138</b>	-	-
Additions to investments and advances and available-for-sale financial assets	12	<b>(16,773)</b>	-	(21,133)
Additions to property, plant and equipment	6, 14	<b>(13,857)</b>	-	-
Increase in other noncurrent assets and others		<b>(4,067)</b>	-	-
Proceeds from sale of investments, available-for-sale financial assets and property and equipment	12, 13, 14	<b>41,572</b>	-	12,897
Interest received		<b>727</b>	6	11
Dividends received from an associate and available-for-sale financial assets	12, 13	<b>1,791</b>	2,115	1,568
Net cash flows provided by (used in) investing activities		<b>187,531</b>	2,121	(6,657)

*Forward*

		<b>2013</b>	2012	2011
	<i>Note</i>	<b>Consolidated</b>	Individual	Individual
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from:				
Short-term borrowings		<b>P190,184</b>	P -	P -
Long-term borrowings		<b>8,463</b>	27,489	-
Payments of:				
Short-term borrowings		<b>(203,857)</b>	-	-
Long-term borrowings		<b>(9,572)</b>	-	-
Availment (payments) of amounts owed to related parties	32	-	(12,158)	9,167
Payments of finance lease liabilities		<b>(4,897)</b>	-	-
Cash dividends paid	35	<b>(266)</b>	(1,860)	(1,087)
Dividends paid to non-controlling shareholders		<b>(4,044)</b>	-	-
Decrease in non-controlling interests		<b>(608)</b>	-	-
Partial redemption of preferred shares	24	-	(12,899)	-
Net cash flows provided by (used in) financing activities		<b>(24,597)</b>	572	8,080
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>				
		<b>1,005</b>	(2)	-
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>				
		<b>191,610</b>	174	(753)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>				
		<b>203</b>	29	782
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>				
	8	<b>P191,813</b>	P203	P29

\*The statement of cash flows for the year ended December 31, 2013 refers to the consolidated accounts of the Group while the statements of cash flows for the years ended December 31, 2012 and 2011 refer to the accounts of Top Frontier Investment Holdings, Inc. (Note 5).

*See Notes to the Financial Statements.*

# **TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**

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## **NOTES TO THE FINANCIAL STATEMENTS**

(Amounts in Millions, Except Per Share Data and Number of Shares)

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### **1. Reporting Entity**

Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on March 11, 2008.

On December 18, 2013, The Philippine Stock Exchange, Inc. (PSE) approved the application for the listing by way of introduction of all the common shares of Top Frontier. The shares were listed on the PSE on January 13, 2014.

The accompanying consolidated financial statements as of and for the year ended December 31, 2013 comprise the financial statements of the Parent Company and its Subsidiaries (collectively referred to as the “Group”) and the Group’s interests in associates and joint ventures.

The Parent Company is primarily established as a holding company provided that the Parent Company shall not engage in the business of an investment company as defined in the Investment Company Act (R.A. 2629), as amended, without first complying with the applicable provisions of the said statute.

The Group is engaged in the production, processing and marketing of beverage, food and packaging products, energy, mining, fuel and oil, infrastructure, telecommunications, airline, and management and development of real estate properties.

The registered office address of the Parent Company is 5<sup>th</sup> Floor, ENZO Building, 399 Sen. Gil J. Puyat Avenue, Makati City, Philippines.

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### **2. Basis of Preparation**

#### Statement of Compliance

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

The financial statements were authorized for issue by the Board of Directors (BOD) on March 27, 2014.

### Basis of Measurement

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

### Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

### Basis of Consolidation

The consolidated financial statements include the accounts of the Parent Company and its subsidiaries. As of December 31, 2013, the major subsidiaries include the following:

	Percentage of Ownership Interest Held by the		Country of Incorporation
	Parent Company	Subsidiaries	
<b>San Miguel Corporation and subsidiaries <sup>(a)</sup>, namely:</b>	<b>66.18</b>	<b>-</b>	Philippines
<b>Beverage Business:</b>			
San Miguel Brewery Inc. (SMB) and subsidiaries [including Iconic Beverages, Inc. (IBI), Brewery Properties Inc. (BPI) and subsidiary, San Miguel Brewing International Ltd. and subsidiaries {including San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Djakarta Tbk <sup>(b)</sup> and subsidiary, San Miguel (Baoding) Brewery Company Limited <sup>(b)</sup> , San Miguel Brewery Vietnam Limited <sup>(b)</sup> , San Miguel Beer (Thailand) Limited and San Miguel Marketing (Thailand) Limited}]	-	<b>51.17</b>	Philippines
Ginebra San Miguel, Inc. (GSMI) and subsidiaries [including Distileria Bago, Inc., East Pacific Star Bottlers Phils Inc. (EPSBPI), Ginebra San Miguel International, Ltd. (GSMIL), Ginebra San Miguel International Holdings Ltd. (GSMIHL), Global Beverage Holdings Ltd. (GBHL) and Siam Holdings Ltd. (SHL)]	-	<b>77.36</b>	Philippines
San Miguel Foods and Beverage International Limited and subsidiaries [including PT San Miguel Indonesia Foods & Beverages <sup>(b)</sup> , San Miguel (Guangdong) Foods & Beverages Co. Ltd. (SMGFB) <sup>(b)</sup> ]	-	<b>100.00</b>	British Virgin Islands (BVI)

Forward

	Percentage of Ownership Interest Held by the		Country of Incorporation
	Parent Company	Subsidiaries	
<b>Food Business:</b>			
San Miguel Pure Foods Company, Inc. (SMPFC) and subsidiaries [including San Miguel Foods, Inc. (SMFI), San Miguel Mills, Inc. and subsidiaries {including Golden Avenue Corp. and Golden Bay Grain Terminal Corporation (GBGTC)}, The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries (including Golden Food & Dairy Creamery Corporation and Sugarland Corporation), San Miguel Super Coffeemix Co., Inc., PT San Miguel Pure Foods Indonesia and San Miguel Pure Foods International, Limited [including San Miguel Pure Foods Investment (BVI) Limited and subsidiary and San Miguel Hormel (Vn) Co., Ltd.]	-	85.37	Philippines
<b>Packaging Business:</b>			
San Miguel Yamamura Packaging Corporation (SMYPC) and subsidiaries, SMC Yamamura Fuso Molds Corporation and Can Asia, Inc.	-	65.00	Philippines
San Miguel Yamamura Packaging International Limited (SMYPIL) and subsidiaries [including San Miguel Phu Tho Packaging Co. Ltd. (b), Zhaoqing San Miguel Yamamura Glass Co., Ltd., Foshan San Miguel Packaging Co. Ltd., San Miguel Yamamura Packaging & Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty. Ltd. (SMYA) (b) and subsidiaries]	-	65.00	BVI
Mindanao Corrugated Fibreboard, Inc. (Mincorr)	-	100.00	Philippines
San Miguel Yamamura Asia Corporation (SMYAC)	-	60.00	Philippines
<b>Energy Business:</b>			
SMC Global Power Holdings Corp. (SMC Global) and subsidiaries [including San Miguel Energy Corporation (SMEC) and subsidiaries, South Premiere Power Corp. (SPPC), Strategic Power Devt. Corp. (SPDC), San Miguel Electric Corp. (SMELC), SMC PowerGen Inc. (SPI), PowerOne Ventures Energy Inc. (PVEI), SMC Consolidated Power Corporation (SCPC) and San Miguel Consolidated Power Corporation (SMCPC)]	-	100.00	Philippines
<b>Fuel and Oil Business:</b>			
SEA Refinery Corporation and subsidiary, Petron Corporation (Petron) and subsidiaries [including Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation (Petrogen), Overseas Ventures Insurance Corporation (Ovincor) <sup>(b)</sup> , Petron Singapore Trading Pte. Ltd., New Ventures Realty Corporation and subsidiaries, Petron Global Limited, Petron Oil & Gas International Sdn. Bhd. including Petron Fuel International Sdn Bhd, Petron Oil (M) Sdn Bhd and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia) <sup>(b)</sup> , Petron Finance (Labuan) Limited, Limay Energen Corporation and Petrochemical Asia (HK) Limited (PAHL)]	-	100.00	Philippines

Forward

	Percentage of Ownership Interest Held by the		Country of Incorporation
	Parent Company	Subsidiaries	
<b>Infrastructure Business:</b>			
San Miguel Holdings Corp. (SMHC) and subsidiaries [including Rapid Thoroughfares Inc. (Rapid) and subsidiary, Private Infra Dev Corporation (PIDC) <sup>(c)</sup> , Trans Aire Development Holdings Corp. (TADHC) <sup>(b)</sup> , Optimal Infrastructure Development, Inc., Vertex Tollways Devt. Inc. (Vertex), Universal LRT Corporation (BVI) Limited (ULC) <sup>(b)</sup> , Terramino Holdings, Inc. and subsidiary <sup>(b)</sup> , Alloy Manila Toll Expressways Inc. <sup>(b)</sup> and Sleep International (Netherlands) Cooperatief U.A. (Sleep) and Wiselink Investment Holdings, Inc. (Wiselink) {collectively own Cypress Tree Capital Investments, Inc. (Cypress) including Star Infrastructure Development Corporation (SIDC) and Star Tollway Corporation (collectively the Cypress Group)} <sup>(b)</sup> ]	-	100.00	Philippines
<b>Telecommunications Business:</b>			
Vega Telecom, Inc. (Vega) and subsidiaries [including Two Cassandra-CCI Conglomerates, Inc. <sup>(b)</sup> , Perchpoint Holdings Corp. <sup>(b)</sup> and Power Smart Capital Limited <sup>(b)</sup> [collectively own Bell Telecommunication Philippines, Inc. (BellTel) <sup>(b)</sup> and A.G.N. Philippines, Inc.]	-	100.00	Philippines
Eastern Telecommunications Philippines, Inc. (ETPI) and subsidiary, Telecommunications Technologies Phils., Inc. (TTPI)	-	77.70	Philippines
<b>Real Estate Business:</b>			
San Miguel Properties, Inc. (SMPI) and subsidiaries [including Excel Unified Land Resources Corporation, First HQ Ayala Business Centers, Inc., SMPI Makati Flagship Realty Corp., SMC Originals, Inc. and Integrated Geosolutions, Inc.] <sup>(b)</sup>	-	99.68	Philippines
<b>Others:</b>			
SMC Stock Transfer Service Corporation	-	100.00	Philippines
ArchEn Technologies Inc.	-	100.00	Philippines
SMITS, Inc. and subsidiaries <sup>(b)</sup>	-	100.00	Philippines
Anchor Insurance Brokerage Corporation (AIBC)	-	58.33	Philippines
SMC Shipping and Lighterage Corporation (SMCSLC) and subsidiaries (including MG8 Terminal Inc., SMC Cebu Shipyard Land, Inc. and Mactan Shipyard Corporation)	-	70.00	Philippines
Challenger Aero Air Corp.	-	100.00	Philippines
San Miguel Equity Securities Inc.	-	100.00	Philippines
San Miguel Equity Investments Inc. (SMEII)	-	100.00	Philippines
Autosweep Post Corp.	-	100.00	Philippines
<b>Clariden Holdings, Inc. (Clariden) and subsidiaries <sup>(d)</sup>, namely:</b>	100.00	-	Philippines
<b>Mining Business:</b>			
Clariden and subsidiaries [including V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp. (AAMRC), Prima Lumina Gold Mining Corp., South Western Cement Corporation (SWCC), Excelon Asia Holding Corporation, New Manila Properties, Inc. and Philnico Holdings Limited [including Pacific Nickel Philippines, Inc. (PNPI), Philnico Industrial Corporation (PIC) and Philnico Processing Corp. (PPC) (collectively the Philnico Group)]			

(a) Consolidated effective October 17, 2013 (Note 5).

(b) The financial statements of these subsidiaries were audited by other auditors.

(c) Consolidated to SMHC effective December 27, 2013 (Note 5).

(d) Consolidated effective August 30, 2013 (Note 5).

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

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

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

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

Non-controlling interests represent the portion of profit or loss and net assets not attributable to the Parent Company and are presented in the consolidated statement of income, consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity attributable to equity holders of the Parent Company.

Non-controlling interests include the interests not held by the Parent Company in SMC, SMB, GSML, SMPFC, SMYPC, SMYPIL, SMYAC, Petron, PIDC, TADHC, ULC, Sleep, Wiselink, Cypress, ETPI, SMPI, AIBC, SMCSLC, AAMRC and PPC in 2013 (Note 5).

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

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### **3. Significant Accounting Policies**

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

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

### *Adopted Effective 2013*

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statements of comprehensive income to statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statements of financial position.

The adoption of these amendments did not have an effect on the financial statements.

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

As a result of the adoption of PFRS 10, the Group reassessed control over its investees based on the new control model effective January 1, 2013. The reassessment resulted in changes in consolidation conclusion and in the current accounting for an investee (Note 5).

- PFRS 11, *Joint Arrangements*, focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

The adoption of the new standard did not have an effect on the financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities (Notes 5 and 12).

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*. The amendments simplify the process of adopting PFRS 10, PFRS 11, and PFRS 12, and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

The Group has applied the transitional provision of the amendments to PFRS 10 and PFRS 12.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

The adoption of these amendments did not have a significant effect on the financial statements.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
  - *Comparative Information beyond Minimum Requirements (Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

The adoption of these amendments did not have an effect on the financial statements.

- *Presentation of the Opening Statement of Financial Position and Related Notes (Amendments to PAS 1)*. The amendments clarify that: (a) the opening statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period,

rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different.

The adoption of these amendments did not have an effect on the financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

The adoption of these amendments did not have a significant effect on the financial statements.

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove the perceived inconsistency between PAS 32 and PAS 12. Before the amendments, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax. However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*.

The adoption of these amendments did not have an effect on the financial statements.

- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual financial statements for that reportable segment.

The adoption of these amendments did not have an effect on the financial statements.

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the financial statements, where applicable.

*New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted*

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing the financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the financial statements.

The Group will adopt the following new or revised standards, amendments to standards and interpretations on the respective effective dates:

- Recoverable Amount Disclosures for Non-financial Assets (*Amendments to PAS 36, Impairment of Assets*). The amendments clarify that the recoverable amount disclosure only applies to impaired assets (or cash-generating unit) and require additional disclosures to be made on fair value measurement on impaired assets when the recoverable amount is based on fair value less costs of disposal. The amendments harmonize the disclosure requirement for fair value less costs of disposal and value in use when present value techniques are used to measure the recoverable amount of impaired assets. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.
- Offsetting Financial Assets and Financial Liabilities (*Amendments to PAS 32*). The amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is: (i) not contingent on a future event; and (ii) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that: (i) eliminate or result in insignificant credit and liquidity risk; and (ii) process receivables and payables in a single settlement process or cycle. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. The Group does not plan to adopt these amendments early.
- Philippine Interpretation IFRIC 21, *Levies*. The interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, fines and penalties and liabilities arising from emission trading schemes are explicitly excluded from the scope. The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.
- Novation of Derivatives and Continuation of Hedge Accounting (*Amendments to PAS 39, Financial Instruments: Recognition and Measurement*). The amendments will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one). The amendments are effective for annual periods beginning on or after January 1, 2014. Early application is permitted. However, if an entity applies the amendments for an earlier period, then it should disclose that fact.

Although the amendments are applied retrospectively, if an entity had previously discontinued hedge accounting as a result of a novation, then the previous hedge accounting for that relationship cannot be reinstated. The Group does not plan to adopt these amendments early.

- **Defined Benefit Plans: Employee Contributions (*Amendments to PAS 19*).** The amendments apply to contributions from employees or third parties to the defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service (i.e., employee contributions that are calculated according to a fixed percentage of salary). The adoption of the amendments is required to be retrospectively applied for annual periods beginning on or after July 1, 2014. Earlier application is permitted. The Group does not plan to adopt these amendments early.
- **PFRS 9, *Financial Instruments (2009, 2010 and 2013)*.** PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called ‘own credit’ issue that were already included in PFRS 9 to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for the companies to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements and the expected credit loss impairment model to be included. Once the deliberations are complete, the IASB expects to publish a final version of the standard that will include all of the phases: (a) Classification and Measurement, (b) Impairment, and (c) Hedge Accounting. That version of the standard will include a new mandatory effective date. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group’s financial assets but will potentially have no impact on the classification and measurement of financial liabilities. The Group does not plan to adopt this standard early.
- **Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*,** applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, ‘off plan’; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and the timing of revenue recognition. The SEC issued a notice dated August 5, 2011 that defers the adoption of this interpretation indefinitely.

#### Financial Assets and Financial Liabilities

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

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

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

*'Day 1' Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' profit) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in profit or loss 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' profit amount.

#### Financial Assets

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis;
- the assets are part of a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

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

The Group's derivative assets and financial assets at FVPL are classified under this category (Notes 11 and 40).

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

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

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

The Group's cash and cash equivalents, trade and other receivables, option deposit, noncurrent receivables and deposits and restricted cash are included under this category (Notes 8, 9, 11, 18 and 40).

*HTM Investments.* HTM investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial measurement, these investments are measured at amortized cost using the effective interest rate method, less impairment in value. Any interest earned on the HTM investments is recognized as part of "Interest income" account in the statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The periodic amortization is also included as part of "Interest income" account in the statements of income. Gains or losses are recognized in profit or loss when the HTM investments are derecognized or impaired.

The Group has no investments accounted for under this category as of December 31, 2013 and 2012.

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the “Fair value reserve” account in the statements of changes in equity. The effective yield component of AFS debt securities is reported as part of “Interest income” account in the statements of income. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive the payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group’s investments in equity and debt securities are classified under this category (Notes 11, 13 and 40).

#### *Financial Liabilities*

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

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

The Group’s derivative liabilities are classified under this category (Notes 20 and 40).

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

The Group’s liabilities arising from its trade or borrowings such as loans payable, accounts payable and accrued expenses, long-term debt, finance lease liabilities and other noncurrent liabilities are included under this category (Notes 19, 20, 21, 22, 33 and 40).

#### *Derivative Financial Instruments and Hedging*

##### *Freestanding Derivatives*

For the purpose of hedge accounting, hedges are classified as either: a) fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment (except for foreign currency risk); b) cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; or c) hedges of a net investment in foreign operations.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

*Fair Value Hedge.* Derivatives classified as fair value hedges are carried at fair value with corresponding change in fair value recognized in profit or loss. The carrying amount of the hedged asset or liability is also adjusted for changes in fair value attributable to the hedged item and the gain or loss associated with that remeasurement is also recognized in profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued and the adjustment to the carrying amount of a hedged financial instrument is amortized immediately.

The Group discontinues fair value hedge accounting if (a) the hedging instrument expires, is sold, is terminated or is exercised; (b) the hedge no longer meets the criteria for hedge accounting; or (c) the Group revokes the designation.

The Group has no outstanding derivatives accounted for as fair value hedges as of December 31, 2013 and 2012.

*Cash Flow Hedge.* Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in other comprehensive income and presented in the statements of changes in equity. The ineffective portion is immediately recognized in profit or loss.

If the hedged cash flow results in the recognition of an asset or a liability, all gains or losses previously recognized directly in equity are transferred from equity and included in the initial measurement of the cost or carrying amount of the asset or liability. Otherwise, for all other cash flow hedges, gains or losses initially recognized in equity are transferred from equity to profit or loss in the same period or periods during which the hedged forecasted transaction or recognized asset or liability affects profit or loss.

When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. The cumulative gain or loss on the hedging instrument that has been reported directly in equity is retained in equity until the forecasted transaction occurs. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in equity is recognized in profit or loss.

The Group has no outstanding derivatives accounted for as a cash flow hedge as of December 31, 2013 and 2012.

*Net Investment Hedge.* Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in profit or loss. On disposal of a foreign operation, the cumulative value of any such gains and losses recorded in equity is transferred to and recognized in profit or loss.

The Group has no hedge of a net investment in a foreign operation as of December 31, 2013 and 2012.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss during the year incurred.

#### *Embedded Derivatives*

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

An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized as at FVPL. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### Derecognition of Financial Assets and Financial Liabilities

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

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

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

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

#### Impairment of Financial Assets

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

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

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

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

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

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

*AFS Financial Assets.* For equity instruments carried at fair value, the Group assesses, at each reporting date, whether objective evidence of impairment exists. Objective evidence of impairment includes a significant or prolonged decline in the fair value of an equity instrument below its cost. ‘Significant’ is evaluated against the original cost of the investment and ‘prolonged’ is evaluated against the period in which the fair value has been below its original cost. The Group generally regards fair value decline as being significant when decline exceeds 25%. A decline in a quoted market price that persists for 12 months is generally considered to be prolonged.

If an AFS financial asset is impaired, an amount comprising the difference between the cost (net of any principal payment and amortization) and its current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is transferred from equity to profit or loss. Reversals of impairment losses in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

In the case of an unquoted equity instrument or of a derivative asset linked to and must be settled by delivery of an unquoted equity instrument, for which its fair value cannot be reliably measured, the amount of impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows from the asset discounted using the historical effective rate of return on the asset.

#### Classification of Financial Instruments between Debt and Equity

From the perspective of the issuer, a financial instrument is classified as debt instrument if it provides for a contractual obligation to:

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

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

#### Debt Issue Costs

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

#### Offsetting Financial Instruments

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

### Inventories

Finished goods, goods in process and materials and supplies are valued at the lower of cost and net realizable value.

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

Finished goods and goods in process	-	at cost, which includes direct materials and labor and a proportion of manufacturing overhead costs based on normal operating capacity but excluding borrowing costs; finished goods include unrealized gain (loss) on fair valuation of agricultural produce; costs are determined using the moving-average method.
Petroleum products (except lubes and greases, waxes and solvents), crude oil, and other products	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the first-in, first-out method.
Lubes and greases, waxes and solvents	-	at cost, which includes duties and taxes related to the acquisition of inventories; costs are determined using the moving-average method.
Materials, supplies and others	-	at cost, using the moving-average method.
Coal	-	at cost, using the first-in, first-out method.

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

Net realizable value of goods in process is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

For petroleum products, crude oil, and tires, batteries and accessories, the net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to complete and/or market and distribute.

Net realizable value of materials and supplies, including coal, is the current replacement cost.

Containers (i.e., returnable bottles and shells) are stated at deposit values less any impairment in value. The excess of the acquisition cost of the containers over their deposit value is presented under deferred containers included under "Other noncurrent assets" account in the statements of financial position and is amortized over the estimated useful lives of two to ten years. Amortization of deferred containers is included under "Selling and administrative expenses" account in the statements of income.

### Biological Assets and Agricultural Produce

The Group's biological assets include breeding stocks, growing hogs, cattle and poultry livestock and goods in process which are grouped according to their physical state, transformation capacity (breeding, growing or laying), as well as their particular stage in the production process.

Breeding stocks are carried at accumulated costs net of amortization and any impairment in value while growing poultry livestock, hogs and cattle and goods in process are carried at accumulated costs. The costs and expenses incurred up to the start of the productive stage are accumulated and amortized over the estimated productive lives of the breeding stocks. The Group uses this method of valuation since fair value cannot be measured reliably. The Group's biological assets have no active market and no active market for similar assets prior to point of harvest are available in the Philippine poultry and hog industries. Further, the existing sector benchmarks are determined to be irrelevant and the estimates (i.e., revenues due to highly volatile prices, input costs, and efficiency values) necessary to compute for the present value of expected net cash flows comprise a wide range of data which will not result in a reliable basis for determining the fair value.

The carrying amounts of the biological assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

The Group's agricultural produce, which consists of grown broilers and marketable hogs and cattle harvested from the Group's biological assets, are measured at their fair value less estimated costs to sell at the point of harvest. The fair value of grown broilers is based on the quoted prices for harvested mature grown broilers in the market at the time of harvest. For marketable hogs and cattle, the fair value is based on the quoted prices in the market at any given time.

The Group, in general, does not carry any inventory of agricultural produce at any given time as these are either sold as live broilers, hogs and cattle or transferred to the different poultry or meat processing plants and immediately transformed into processed or dressed chicken and carcass.

Amortization is computed using the straight-line method over the following estimated productive lives of breeding stocks:

	Amortization Period
Hogs - sow	3 years or 6 births, whichever is shorter
Hogs - boar	2.5 - 3 years
Cattle	2.5 - 3 years
Poultry breeding stock	40 - 44 weeks

#### Business Combination

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

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

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

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

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

▪ *Goodwill in a Business Combination*

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

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than an operating segment determined in accordance with PFRS 8.

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

▪ *Intangible Assets Acquired in a Business Combination*

The cost of an intangible asset acquired in a business combination is the fair value as at the date of acquisition, determined using discounted cash flows as a result of the asset being owned.

Following initial recognition, intangible asset is carried at cost less any accumulated amortization and impairment losses, if any. The useful life of an intangible asset is assessed to be either finite or indefinite.

An intangible asset with finite life is amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each reporting date. A change in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for as a change in accounting estimate. The amortization expense on intangible asset with finite life is recognized in profit or loss.

#### Transactions under Common Control

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

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

#### Non-controlling Interests

The acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. Any difference between the purchase price and the net assets of the acquired entity is recognized in equity. The adjustments to non-controlling interests are based on a proportionate amount of the identifiable net assets of the subsidiary.

#### Investments in Associates and Joint Ventures

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

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

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

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

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

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

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

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

#### Property, Plant and Equipment

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

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

Construction in progress (CIP) represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of plant and equipment are capitalized during the construction period. CIP is not depreciated until such time that the relevant assets are ready for use.

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

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Power plants	10 - 43
Refinery and plant equipment	5 - 16
Service stations and other equipment	1 1/2 - 10
Machinery and equipment	3 - 40
Telecommunications equipment	3 - 25
Transportation equipment	5 - 10
Tools and small equipment	2 - 10
Office equipment, furniture and fixtures	2 - 10
Molds	2 - 5
Leasehold improvements	5 - 50
	or term of the lease, whichever is shorter

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

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

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

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

#### Investment Property

Investment property consists of property held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes. Investment property, except for land, is measured at cost including transaction costs less accumulated depreciation and amortization and any accumulated impairment in value. The carrying amount includes the cost of replacing part of an existing investment property at the time the cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing of an investment property. Land is stated at cost less any impairment in value.

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

	Number of Years
Land improvements	5 - 50
Buildings and improvements	2 - 50
Machinery and equipment	3 - 40
Tools and small equipment	2 - 5

The useful lives, residual values and depreciation and amortization method are reviewed and adjusted, if appropriate, at each reporting date.

Investment property is derecognized either when it has been disposed of or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains and losses on the retirement and disposal of investment property are recognized in profit or loss in the period of retirement and disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner-occupation or 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 amount 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, plant and equipment up to the date of change in use.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the date of acquisition. Subsequently, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditures are recognized in profit or loss in the year in which the related expenditures are incurred. The useful lives of intangible assets are assessed to be either finite or indefinite.

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

Amortization is computed using the straight-line method over the following estimated useful lives of other intangible assets with finite lives:

	Number of Years
Computer software and licenses	2 - 8
Airport concession right	25
Toll road concession rights	25 - 36 or unit of usage
Mineral rights and evaluation assets	19 - 30
Leasehold rights	20 or term of the lease, whichever is shorter
Land use rights	25 - 50 or term of the lease, whichever is shorter

The Group assessed the useful lives of licenses and trademarks and brand names to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the assets are expected to generate cash inflows for the Group.

Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually, either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether 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.

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

#### *Service Concession Arrangements*

Public-to-private service concession arrangements where: (a) the grantor controls or regulates what services the entities in the Group must provide with the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls (through ownership, beneficial entitlement or otherwise) any significant residual interest in the infrastructure at the end of the term of the arrangement are accounted for under Philippine Interpretation IFRIC 12, *Service Concession Arrangements*. Infrastructures used in a public-to-private service concession arrangement for its entire useful life (whole-of-life assets) are within the scope of the Interpretation if the conditions in (a) are met.

The Interpretation applies to both: (a) infrastructure that the entities in the Group construct or acquire from a third party for the purpose of the service arrangement; and (b) existing infrastructure to which the grantor gives the entities in the Group access for the purpose of the service arrangement.

Infrastructures within the scope of the Interpretation are not recognized as property, plant and equipment of the Group. Under the terms of the contractual arrangements within the scope of the Interpretation, an entity acts as a service provider. An entity constructs or upgrades infrastructure (construction or upgrade services) used to provide a public service and operates and maintains that infrastructure (operation services) for a specified period of time.

An entity recognizes and measures revenue in accordance with PAS 11 and PAS 18 for the services it performs. If an entity performs more than one service (i.e., construction or upgrade services and operation services) under a single contract or arrangement, consideration received or receivable is allocated by reference to the relative fair values of the services delivered when the amounts are separately identifiable.

When an entity provides construction or upgrade services, the consideration received or receivable by the entity is recognized at its fair value. An entity accounts for revenue and costs relating to construction or upgrade services in accordance with PAS 11. Revenue from construction contracts is recognized based on the percentage-of-completion method, measured by reference to the proportion of costs incurred to date, to estimated total costs for each contract. The applicable entities account for revenue and costs relating to operation services in accordance with PAS 18.

An entity recognizes a financial asset to the extent that it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction services. An entity recognizes an intangible asset to the extent that it receives a right (a license) to charge users of the public service.

When the applicable entity has contractual obligations to fulfill as a condition of its license: (a) to maintain the infrastructure to a specified level of serviceability, or (b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service arrangement, it recognizes and measures these contractual obligations in accordance with PAS 37, i.e., at the best estimate of the expenditure that would be required to settle the present obligation at the reporting date.

In accordance with PAS 23, *Borrowing Costs*, borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred unless the applicable entities have a contractual right to receive an intangible asset (a right to charge users of the public service). In this case, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

*Intangible Asset - Airport Concession Right.* The Group's airport concession right pertains to the right granted by the Republic of the Philippines (ROP) to TADHC: (a) to operate the Caticlan Airport (the Airport Project or the Boracay Airport); (b) to design and finance the Airport Project; and (c) to operate and maintain the Boracay Airport during the concession period. This also includes the present value of the annual franchise fee, as defined in the Concession Agreement (CA), payable to the ROP over the concession period of 25 years. Except for the portion that relates to the annual franchise fee, which is recognized immediately as intangible asset, the right is earned and recognized by the Group as the project progresses (Note 4).

The airport concession right is carried at cost, as determined above, less accumulated amortization and any accumulated impairment losses.

The airport concession right is amortized using the straight-line method over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The airport concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the airport concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

*Intangible Assets - Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following:

- Stage 1 and Stage 2 of the South Metro Manila Skyway (SMMS or the Skyway Project);
- Stage 1 and Stage 2 and Phase I of the Southern Tagalog Arterial Road (STAR or the STAR Project); and
- Tarlac-Pangasinan-La Union Toll Expressway (TPLEX or the TPLEX Project).

In exchange for the fulfillment of the Group's obligations under the CA, the Group is given the right to operate the toll road facilities over the concession period. Toll road concession rights are recognized initially at the fair value of the construction services. Following initial recognition, the toll road concession rights are carried at cost less accumulated amortization and any impairment losses. Subsequent expenditures or replacement of part of it, are normally charged to profit or loss as these are incurred to maintain the expected future economic benefits embodied in the toll road concession rights. Expenditures that will contribute to the increase in revenue from toll operations are recognized as an intangible asset.

The toll road concession rights are amortized using the unit of usage method based on the proportion of actual traffic volume to the total expected traffic volume over the concession period, or the straight-line method over the term of the concession agreement. The toll road concession rights are assessed for impairment whenever there is an indication that the toll road concession rights may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the terms of the concession agreement or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The toll road concession rights will be derecognized upon turnover to the ROP. There will be no gain or loss upon derecognition of the toll road concession rights as these are expected to be fully amortized upon turnover to the ROP.

*Intangible Asset - Power Concession Right.* The Group's power concession right pertains to the right granted by the ROP to SMC Global to operate the Albay Electric Cooperative (ALECO). The power concession right is carried at cost less accumulated amortization and any accumulated impairment losses.

The power concession right is amortized using the straight-line method over the concession period and assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and method are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The power concession right is derecognized on disposal or when no further economic benefits are expected from its use or disposal. Gain or loss from derecognition of the power concession right is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

#### *Intangible Asset - Mineral Rights and Evaluation Assets*

The Group's mineral rights and evaluation assets have finite lives and are measured at costs less accumulated amortization and any accumulated impairment losses.

Subsequent expenditures are capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

Amortization of mineral rights and evaluation assets is recognized in profit or loss on a straight-line basis over the estimated useful lives. The estimated useful lives of mineral rights and evaluation assets pertain to the period from commercial operations to the end of the operating contract. Amortization method and useful lives are reviewed at each reporting date and adjusted as appropriate.

Gain or loss from derecognition of mineral rights and evaluation assets is measured as the difference between the net disposal proceeds and the carrying amount of the asset, and is recognized in profit or loss.

#### Deferred Exploration and Development Costs

Deferred exploration and development costs comprise of expenditures which are directly attributable to:

- Researching and analyzing existing exploration data;
- Conducting geological studies, exploratory drilling and sampling;
- Examining and testing extraction and treatment methods; and
- Compiling pre-feasibility and feasibility studies.

Deferred exploration and development costs also include expenditures incurred in acquiring mineral rights and evaluation assets, entry premiums paid to gain access to areas of interest and amounts payable to third parties to acquire interests in existing projects.

Exploration assets are reassessed on a regular basis and tested for impairment provided that at least one of the following conditions is met:

- the period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration for and evaluation of mineral resources in the specific area is neither budgeted nor planned;

- such costs are expected to be recouped in full through successful development and exploration of the area of interest or alternatively, by its sale; or
- exploration and evaluation activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing, or planned for the future.

If the project proceeds to development stage, the amounts included within deferred exploration and development costs are transferred to property, plant and equipment under mine development costs.

#### Impairment of Non-financial Assets

The carrying amounts of investments and advances, property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. Licenses and trademarks and brand names with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell and value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

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

#### Cylinder Deposits

The liquefied petroleum gas cylinders remain the property of the Group and are loaned to dealers upon payment by the latter of an amount equivalent to 100% of the acquisition cost of the cylinders.

The Group maintains the balance of cylinder deposits at an amount equivalent to three days worth of inventory of its biggest dealers, but in no case lower than P200 at any given time, to take care of possible returns by dealers.

At the end of each reporting date, cylinder deposits, shown under “Other noncurrent liabilities” account in the statements of financial position, are reduced for estimated non-returns. The reduction is recognized directly in profit or loss.

#### Fair Value Measurements

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

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

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

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

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

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

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

For purposes of the fair value disclosure, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

#### Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of past events; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate 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 assessment of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognized when, and only when, it is

virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Share Capital

#### *Common Shares*

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

#### *Preferred Shares*

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

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

#### *Treasury Shares*

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

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

#### *Revenue from Sale of Goods*

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

#### *Revenue from Power Generation and Trading*

Revenue from power generation and trading is recognized in the period when actual capacity is generated and/or transmitted to the customers, net of related discounts.

#### *Revenue from Telecommunications Services*

Revenue from telecommunications services are recognized when earned, and includes the value of all services provided, net of the share of other telecommunications administrations, if any, under existing correspondence and interconnection agreements.

Inbound revenue represents settlements from telecommunications providers who sent traffic to the Group's network. Inbound revenue is based on agreed payment accounting rates with other carriers. Interconnection charges are based on the rates agreed with other carriers.

Both the inbound revenue and interconnection charges are accrued based on actual volume of traffic. Adjustments are made on the recorded amount for discrepancies between the traffic volume based on the Group's records and the records of the other carriers. These adjustments are recognized as they are determined and agreed with the other carriers.

Installation fees received from landline subscribers are also credited to operating revenues. The related labor costs on installation are recognized in profit or loss.

#### *Revenue from Airport Operations*

Landing, take-off and parking fees are recognized upon rendering of the service which is the period from landing up to take-off of aircrafts.

Terminal fees are recognized upon receipt of fees charged to passengers on departure.

Construction revenue related to the Group's recognition of intangible asset on the right to operate the Boracay Airport, which is the consideration receivable from the ROP relative to the Airport Project, is earned and recognized as the Airport Project progresses. The Group recognizes the corresponding amount as intangible asset as it recognizes the construction revenue. The Group assumes no profit margin in earning the right to operate the Boracay Airport.

The Group uses the cost to cost percentage of completion method to determine the appropriate amount of revenue to be recognized in a given period. The stage of completion is measured by reference to the costs incurred related to the Airport Project up to the end of the reporting period as a percentage of total estimated cost of the Airport Project.

#### *Revenue from Toll Operations*

Revenue from toll operations is recognized upon the sale of toll tickets. Toll fees received in advance, through the E-pass account, is recognized as income upon the holders' availment of the toll road services.

Construction revenue is recognized by reference to the stage of completion of the construction activity at the reporting date. When it is probable that the total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

#### *Revenue from Agricultural Produce*

Revenue from initial recognition of agricultural produce is measured at fair value less estimated costs to sell at the point of harvest. Fair value is based on the relevant market price at the point of harvest.

#### *Revenue from Shipping and Port Operations*

Revenue from terminal fees is recognized based on the quantity of items declared by vessels entering the port multiplied by a predetermined rate.

Revenue from freight services is recognized upon completion of every voyage contracted with customers during the period multiplied by a predetermined rate.

Revenue from port services is recognized based on the actual quantity of items handled during the period multiplied by a predetermined rate.

#### *Others*

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

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

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

Revenue from customer loyalty programme is allocated between the customer loyalty programme and the other component of the sale. The amount allocated to the customer loyalty programme is deferred, and is recognized as revenue when the Group has fulfilled its obligations to supply the discounted products under the terms of the programme or when it is no longer probable that the points under the programme will be redeemed.

Gain or loss on sale of investments in shares of stock is recognized if the Group disposes of its investment in a subsidiary, associate and joint venture, AFS financial assets and financial assets at FVPL. Gain or loss is computed as the difference between the proceeds of the disposed investment and its carrying amount, including the carrying amount of goodwill, if any.

#### Cost and Expense Recognition

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

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

#### Share-based Payment Transactions

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

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

The cost of LTIP is measured by reference to the option fair value at the date when the options are granted. The fair value is determined using Black-Scholes option pricing model. In valuing LTIP transactions, any performance conditions are not taken into account, other than conditions linked to the price of the shares of SMC. The cost of ESPP is measured by reference to the market price at the time of the grant less subscription price.

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

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

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

#### Leases

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

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or an extension is granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; or
- (d) there is a substantial change to the asset.

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

#### *Finance Lease*

Finance leases, which transfer to the Group substantially all the risks and rewards 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. Obligations arising from plant assets under finance lease agreement are classified in the statements of financial position as finance lease liabilities.

Lease payments are apportioned between financing charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Financing charges are recognized in profit or loss.

Capitalized leased assets are depreciated over the estimated useful lives of the assets when there is reasonable certainty that the Group will obtain ownership by the end of the lease term.

#### *Operating Lease*

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

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

#### Borrowing Costs

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

#### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred on an individual project are carried forward when their future recoverability can be reasonably regarded as assured. Any expenditure carried forward is amortized in line with the expected future sales from the related project.

The carrying amount of development costs is reviewed for impairment annually when the related asset is not yet in use. Otherwise, this is reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

#### Retirement Costs

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

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

Defined benefit costs comprise of the following:

- Service costs
- Net interest on the net defined benefit retirement liability or asset
- Remeasurements of net defined benefit retirement liability or asset

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

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

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

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

#### Foreign Currency

##### *Foreign Currency Translations*

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

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

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

### *Foreign Operations*

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

Foreign currency differences are recognized in other comprehensive income and presented in the “Translation reserve” account in the statements of changes in equity. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

### Taxes

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

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- with respect to deductible temporary differences associated with investments in 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 each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

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

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

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

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

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

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

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

#### Non-Cash Distribution to Equity Holders of the Parent Company and Discontinued Operations

The Group classifies noncurrent assets, or disposal groups comprising assets and liabilities as held for sale or distribution, if their carrying amounts will be recovered primarily through sale or distribution rather than through continuing use. The assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell or distribute. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group’s accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains and losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment losses.

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

The Group recognizes a liability to make non-cash distributions to equity holders of the Parent Company when the distribution is authorized and no longer at the discretion of the Group. Non-cash distributions are measured at the fair value of the assets to be distributed with fair value remeasurements recognized directly in equity. Upon distribution of non-cash assets, any difference between the carrying amount of the liability and the carrying amount of the assets to be distributed is recognized in profit or loss.

Intangible assets, property, plant and equipment and investment property once classified as held for sale or distribution are not amortized or depreciated. In addition, equity accounting of equity-accounted investees ceases once classified as held for sale or distribution.

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as “profit or loss after tax from discontinued operations” in the statements of income.

#### Related Parties

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

#### Basic and Diluted Earnings Per Common Share (EPS)

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

Diluted EPS is computed in the same manner, adjusted for the effects of dilutive potential common shares.

If basic and diluted EPS are equal, these are presented as one line item in the statements of income labeled as "Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company".

#### Operating Segments

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the financial statements. The Chief Executive Officer (the chief operating decision maker) reviews management reports on a regular basis.

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

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

#### Contingencies

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

#### Events After the Reporting Date

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

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#### 4. Significant Accounting Judgments, Estimates and Assumptions

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

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

##### Judgments

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

*Finance Lease - Group as Lessee.* In accounting for its Independent Power Producer Administration (IPPA) Agreements with the Power Sector Assets and Liabilities Management Corporation (PSALM), the Group's management has made a judgment that the IPPA Agreements are agreements that contain a lease.

SMYA also entered into leases of machinery and equipment and transportation equipment needed for business operations.

The Group's management has made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants, machinery and equipment and transportation equipment. Accordingly, the Group accounted for the agreements as finance lease and recognized the power plants, machinery and equipment, transportation equipment and finance lease liabilities at the present value of the agreed monthly payments (Notes 14 and 33).

Finance lease liabilities recognized in the consolidated statement of financial position amounted to P195,048 as of December 31, 2013 (Notes 6, 33 and 40).

The combined carrying amounts of power plants, machinery and equipment and transportation equipment under finance lease amounted to P193,356 as of December 31, 2013 (Notes 14 and 33).

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

Rent income recognized in the consolidated statement of income amounted to P450 in 2013 (Note 33).

Rent expense recognized in the consolidated statement of income amounted to P830 in 2013 (Notes 25, 26 and 33).

*Applicability of Philippine Interpretation IFRIC 12.* In accounting for the Group's transactions in connection with its CA with the ROP, significant judgment was applied to determine the most appropriate accounting policy to use.

Management used Philippine Interpretation IFRIC 12 as guide and determined that the CA is within the scope of the interpretation since it specifically indicated that the ROP will regulate what services the Group must provide and at what prices those will be offered, and that at the end of the concession period, the entire infrastructure, as defined in the CA, will be turned over to the ROP (Note 33).

Management determined that the consideration receivable from the ROP, in exchange for the fulfillment of the Group's obligations under the CA, is an intangible asset in the form of a right (license) to charge fees to users. Judgment was further exercised by management in determining the components of cost of acquiring the right. Further reference to the terms of the CA (Note 33) was made to determine such costs.

- a. *Airport Concession Right.* The Group's airport concession right consists of: (i) total Airport Project cost; (ii) present value of total franchise fees over 25 years and its subsequent amortization; and (iii) present value of infrastructure retirement obligation (IRO).
- (i) The Airport Project cost is recognized as part of intangible assets as the construction progresses. The cost to cost method was used as management believes that the actual cost of construction is most relevant in determining the amount that should be recognized as cost of the intangible asset at each reporting date as opposed to the percentage of completion approach.
- (ii) The present value of the IRO will be recognized as part of intangible assets upon completion of the Airport Project and will be amortized simultaneously with the cost related to the Airport Project because only at that time when significant maintenance of the Boracay Airport also commence. However, since the Group had already started the maintenance of the rehabilitated Boracay Airport, the entire present value of the annual estimated costs had already been recognized in CIP - airport concession arrangements, portion of which representing the actual amount incurred in the current year for the maintenance of the Boracay Airport, had been recognized as part of the cost of intangible assets, subjected to amortization.
- (iii) The present value of the obligation to pay annual franchise fees over 25 years has been immediately recognized as part of intangible assets because the right related to it has already been granted and is already being enjoyed by the Group as evidenced by its taking over the operations of the Boracay Airport during the last quarter of 2010. Consequently, management has started amortizing the related value of the intangible asset and the corresponding obligation has likewise been recognized.
- b. *Toll Road Concession Rights.* The Group's toll road concession rights represent the costs of construction and development, including borrowing costs, if any, during the construction period of the following projects: (i) Skyway Project; (ii) STAR Project; and (iii) TPLEX Project.

Pursuant to the CA, any stage or phase or ancillary facilities thereof, of a fixed and permanent nature, shall be owned by the ROP.

- c. *Power Concession Right.* The Group's power concession right represents the right to operate ALECO; i.e., license to charge fees to users. At the end of the concession period, all assets and improvements shall be returned to ALECO and any additions and improvements to the system shall be transferred to ALECO.

Difference in judgment in respect to the accounting treatment of the transactions would materially affect the assets, liabilities and operating results of the Group.

*Recognition of Profit Margin on the Airport Project Concession Arrangement.* The Group has not recognized any profit margin on the construction of the Airport Project as it believes that the fair value of the intangible asset reasonably approximates the cost. The Group also believes that the profit margin of its contractors on the rehabilitation of the existing airport and its subsequent upgrade is enough to cover any difference between the fair value and the carrying amount of the intangible asset.

*Classification of Redeemable Preferred Shares.* Based on the features of TADHC's preferred shares, particularly mandatory redemption, management determined that the shares are, in substance, a financial liability. Accordingly, it was classified as part of "Other noncurrent liabilities" account in the consolidated statement of financial position (Note 22).

*Consolidation of an Entity in which the Group has Less Than Majority of the Voting Rights.* The Group considers that it controls PIDC even though it owns less than 50% of the entity and less than 50% of the voting rights. The Group had determined that it is the largest stockholder of PIDC with 45% equity interests. In addition, the Group also determined, by virtue of the extent of the Group's participation in the BOD and management of PIDC, that it: (i) has power over the entity; (ii) is exposed and has rights to variable returns from its involvement with the entity; and (iii) has the ability to use its power over the entity to affect the amount of returns (Note 5).

*Classification of Joint Arrangements.* The Group has determined that it has rights only to the net assets of Thai San Miguel Liquor Co. Ltd. (TSML) and Thai Ginebra Trading (TGT) based on the structure, legal form, contractual terms and other facts and circumstances of the arrangement. As such, the Group classified its joint arrangements as joint ventures (Note 12).

*Determining an Associate and a Subsidiary.* The Parent Company recognizes an investment in associate when the Parent Company has significant influence over the entity. If the Parent Company holds, directly or indirectly, 20% or more of the voting power of the investee, it is presumed that the Parent Company has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the Parent Company holds, directly or indirectly, less than 20% of the voting power of the investee, it is presumed that the Parent Company does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude the Parent Company from having significant influence.

The Parent Company, on the other hand, recognizes an investment in a subsidiary when the Parent Company has control over the entity. The determination of whether the Parent Company controls an entity requires judgment. The Parent Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

As of December 31, 2012, the Parent Company recognized its investments in SMC shares as AFS financial assets although the Parent Company holds 66% equity interest in SMC since no significant influence or control is being exercised due to the following factors: (a) the Parent Company does not have representation in the BOD of SMC, but the Parent Company and SMC merely have common or interlocking directors by virtue of SMC's exercise of its significant influence over the Parent Company; (b) the Parent Company does not participate in the policy making processes of SMC; (c) there are no material transactions, other than dividend distribution, and interchange of managerial personnel between the Parent Company and SMC; and (d) the Parent Company does not provide any essential technical information to SMC. Accordingly, the Parent Company has no ability to direct the relevant activities of SMC that significantly affect SMC's returns.

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of the Parent Company to the SMC common shareholders of record as of November 5, 2013.

With the declaration of the property dividends, the cross ownership between the Parent Company and SMC was eliminated and the Parent Company's control over SMC was established. It also resulted to the change in the control structure in terms of the Parent Company's ability to direct the relevant activities of SMC through interchange of key management personnel.

The transaction also resulted to the reclassification of the Parent Company's investment in SMC's common shares from AFS financial assets to investment in shares of stock of a subsidiary and consolidation of SMC effective October 17, 2013 (Note 5).

*Contingencies.* The Group is currently involved in various pending claims and lawsuits which could be decided in favor of or against the Group. The Group's estimate of the probable costs for the resolution of these pending claims and lawsuits has been developed in consultation with in-house as well as outside legal counsel handling the prosecution and defense of these matters and is based on an analysis of potential results. The Group currently does not believe that these pending claims and lawsuits will have a material adverse effect on its financial position and financial performance. It is possible, however, that future financial performance could be materially affected by the changes in the estimates or in the effectiveness of strategies relating to these proceedings. No accruals were made in relation to these proceedings (Note 43).

#### Estimates and Assumptions

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

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

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

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

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

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

The methods and assumptions used to estimate the fair values for both financial and non-financial assets and liabilities are discussed in Notes 10, 12, 15, 17, 34 and 40.

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

The allowance for impairment losses on trade and other receivables amounted to P8,450 as of December 31, 2013.

The carrying amounts of trade and other receivables amounted to P165,585 and P551 as of December 31, 2013 and 2012, respectively (Note 9).

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

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

The write-down of inventories amounted to P2,136 as of December 31, 2013.

The carrying amount of inventories amounted to P79,391 as of December 31, 2013 (Note 10).

*Impairment of AFS Financial Assets.* AFS financial assets are assessed as impaired when there has been a significant or prolonged decline in the fair value below cost or where other objective evidence of impairment exists. The determination of what is significant or prolonged requires judgment. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities, and the future cash flows and the discount factors for unquoted equities.

The allowance for impairment losses on AFS financial assets amounted to P78 as of December 31, 2013.

The carrying amount of AFS financial assets amounted to P6,526 and P165,805 as of December 31, 2013 and 2012, respectively (Note 13).

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

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

Property, plant and equipment, net of accumulated depreciation and amortization amounted to P437,419 as of December 31, 2013. Accumulated depreciation and amortization of property, plant and equipment amounted to P156,973 as of December 31, 2013 (Note 14).

Investment property, net of accumulated depreciation and amortization amounted to P4,184 as of December 31, 2013. Accumulated depreciation and amortization of investment property amounted to P752 as of December 31, 2013 (Note 15).

Deferred containers, net of accumulated amortization, included as part of "Other noncurrent assets" account in the consolidated statement of financial position amounted to P7,950 as of December 31, 2013. Accumulated amortization of deferred containers amounted to P9,607 as of December 31, 2013 (Notes 18 and 33).

*Estimated Useful Lives of Intangible Assets.* The useful lives of intangible assets are assessed at the individual asset level as having either a finite or indefinite life. Intangible assets are regarded to have an indefinite useful life when, based on analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Group.

Intangible assets with finite useful lives amounted to P42,431 as of December 31, 2013 (Note 17).

*Estimated Useful Lives of Intangible Assets - Airport and Toll Road Concession Rights.* The Group estimates the useful life of airport concession right based on the period over which the asset is expected to be available for use, which is 25 years. For the Group's toll road concession rights, the estimated useful lives are based on the period of 25 to 36 years or based on the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume of the remaining concession period. The Group has not included any renewal period on the basis of uncertainty of the probability of securing renewal contract at the end of the original contract term as of the reporting date.

The amortization period and method are reviewed when there are changes in the expected term of the contract or the expected pattern of consumption of future economic benefits embodied in the asset.

The combined carrying amounts of airport and toll road concession rights amounted to P13,946 as of December 31, 2013 (Note 17).

*Impairment of Goodwill, Licenses and Trademarks and Brand Names with Indefinite Useful Lives.* The Group determines whether goodwill, licenses and trademarks and brand names are impaired at least annually. This requires the estimation of value in use of the cash-generating units to which the goodwill is allocated and the value in use of the licenses and trademarks and brand names. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash-generating unit and from the licenses and trademarks and brand names and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P91,129 as of December 31, 2013 (Note 17).

The combined carrying amounts of licenses and trademarks and brand names amounted to P7,248 as of December 31, 2013 (Note 17).

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

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

The Group is currently completing the purchase price allocation exercise on acquisitions made during the year. The identifiable assets and liabilities at fair value are based on provisional amounts as at the acquisition date, which is allowed under PFRS 3, *Business Combinations*, within 12 months from the acquisition date.

The carrying amount of goodwill arising from business combinations amounted to P91,129 in 2013 (Notes 5, 17 and 37).

*Estimates of Mineral Reserves and Resources.* Mineral reserves and resources estimates for development projects are, to a large extent, based on the interpretation of geological data obtained from drill holders and other sampling techniques and feasibility studies which derive estimates of costs based upon anticipated tonnage and grades of ores to be mined and processed, the configuration of the ore body, expected recovery rates from the ore, estimated operating costs, estimated climatic conditions and other factors. Proven reserves estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. All proven reserve estimates are subject to revision, either upward or downward, based on new information, such as from block grading and production activities or from changes in economic factors, including product prices, contract terms

or development plans. Estimates of reserves for undeveloped or partially developed areas are subject to greater uncertainty over their future life than estimates of reserves for areas that are substantially developed and depleted. As an area goes into production, the amount of proven reserves will be subject to future revisions once additional information becomes available.

Pursuant to the Philippine Mineral Reporting Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves which was adopted by the PSE, SEC and Department of Environment and Natural Resources (DENR) Administrative Order No. 2010-09 (Providing for the Classification and Reporting Standards of Exploration Results, Mineral Resources and Ore Reserves), all mineral resource and mineral/ore reserves report shall be prepared and signed by a person accredited by the relevant professional organization as a Competent Person.

Exploration activities are currently on-going in different projects of Clariden. Exploration drilling planned in PNPI aims to upgrade the mineral resource and reserves previously identified, while in other areas, the objective to define the quality and quantity of the mineral deposit.

*Recoverability of Deferred Exploration and Development Costs.* A valuation allowance is provided for estimated unrecoverable deferred exploration and development costs based on the Group's assessment of the future prospects of the mining properties, which are primarily dependent on the presence of economically recoverable reserves in those properties.

The Group's mining activities are all in the exploratory stages as of December 31, 2013. All related costs and expenses from exploration are currently deferred as mine exploration and development costs to be amortized upon commencement of commercial operations. The Group has not identified any facts and circumstances which suggest that the carrying amount of the deferred exploration and development costs exceeded the recoverable amounts as of December 31, 2013.

Deferred exploration and development costs included as part of "Other noncurrent assets" account in the consolidated statement of financial position amounted to P568 as of December 31, 2013 (Note 18).

*Accrual for Mine Rehabilitation and Decommissioning.* The cost of mine rehabilitation and decommissioning is based on the estimated costs of rehabilitating fully mined-out areas of the mine site. These costs are adjusted for inflation factor based on the average annual inflation rate as at adoption date or re-evaluation of the asset dismantlement, removal or restoration costs. Such adjusted costs are then measured at present value using the market interest rate for a comparable instrument adjusted for the Group's credit standing. While management believes that the assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in the assumptions may materially affect the Group's accretion and obligation for mine rehabilitation.

Accrual for mine rehabilitation and decommissioning costs amounted to P17 as of December 31, 2013 (Note 22).

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

Deferred tax assets amounted to P15,793 as of December 31, 2013 (Note 23).

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

Accumulated impairment losses on property, plant and equipment and investment property amounted to P11,455 as of December 31, 2013 (Notes 14 and 15).

The combined carrying amounts of investments and advances, property, plant and equipment, investment property, biological assets - net of current portion, other intangible assets with finite useful lives, deferred containers, deferred exploration and development costs and idle assets amounted to P544,948 as of December 31, 2013 (Notes 12, 14, 15, 16, 17 and 18).

*Present Value of Defined Benefit Retirement Obligation.* The present value of the defined benefit retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. These assumptions are described in Note 34 to the financial statements and include discount rate and salary increase rate.

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

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

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

The present value of defined benefit retirement obligation amounted to P26,019 as of December 31, 2013 (Note 34).

*Asset Retirement Obligation.* The Group has ARO arising from leased service stations, depots, blending plant and franchised stores and locators. Determining the ARO requires estimation of the costs of dismantling, installing and restoring leased properties to their original condition. The Group determined the amount of the ARO by obtaining estimates of dismantling costs from the proponent responsible for the operation of the asset, discounted at the Group's current credit-adjusted risk-free rate ranging from 3.94% to 9.42% depending on the life of the capitalized costs.

While it is believed that the assumptions used in the estimation of such costs are reasonable, significant changes in these assumptions may materially affect the recorded expense or obligation in future periods.

The Group also has an ARO arising from its refinery. However, such obligation is not expected to be settled in the foreseeable future and therefore a reasonable estimate of fair value cannot be determined. Thus, the ARO included under "Other noncurrent liabilities" account in the consolidated statement of financial position amounting to P1,004 as of December 31, 2013 covers only the Group's leased service stations and depots (Note 22).

*Present Value of Annual Franchise Fee and IRO - Airport Concession Arrangement.* Portion of the amount recognized as airport concession right as of December 31, 2013 pertains to the present value of the annual franchise fee payable to the ROP over the concession period. The recognition of the present value of the IRO is temporarily lodged in CIP - airport concession arrangements until the completion of the Airport Project.

The present values of the annual franchise fee and IRO were determined based on the future value of the obligations discounted at the Group's internal borrowing rate which is believed to be a reasonable approximation of the applicable credit-adjusted risk-free market borrowing rate.

A significant change in such internal borrowing rate used in discounting the estimated cost would result in a significant change in the amount of liabilities recognized with a corresponding effect in profit or loss.

The present value of annual franchise fee already recognized in intangible asset amounted to P892 as of December 31, 2013 (Note 17).

The carrying amount of the IRO recognized in CIP - airport concession arrangement amounted to P819 as of December 31, 2013 (Note 11).

*Percentage of Completion - Airport Concession Arrangements.* The Group determines the percentage of completion of the contract by computing the proportion of actual contract costs incurred to date, to the latest estimated total Airport Project cost. The Group reviews and revises, when necessary, the estimate of Airport Project cost as it progresses, to appropriately adjust the amount of construction cost and revenue recognized at the end of each reporting period (Note 11).

*Accrual for Repairs and Maintenance - Toll Road Concession Arrangements.* The Group recognizes accruals for repairs and maintenance based on estimates of periodic costs, generally estimated to be every 5 to 8 years or the expected period to restore the toll road facilities to a level of serviceability and to maintain its good condition before the turnover to the ROP. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation, discounted using a pre-tax discount rate that reflects the current market assessment of the time value of money.

The accrual for repairs and maintenance amounting to P18 as of December 31, 2013 is included as part of “Other noncurrent liabilities” account in the consolidated statement of financial position (Note 22).

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## **5. Investments in Subsidiaries**

### **I. Business Combinations**

- **Clariden**

On August 15, 2013, the Parent Company executed a Share Purchase Agreement (the Agreement) with SMC for the Parent Company’s purchase of 100% of the outstanding and issued shares of stock of Clariden, a company incorporated in the Philippines, the assignment of the subscription rights of SMC in Clariden to the Parent Company, and the assignment of the advances by SMC in Clariden and certain subsidiaries of Clariden in favor of the Parent Company. The acquisition of Clariden and all of SMC’s rights and interests therein was authorized by the BOD of the Parent Company during its meeting held on August 12, 2013.

On August 30, 2013 (the Closing Date), the transaction was completed with the Parent Company and SMC executing the following: (i) the Deed of Absolute Sale of Shares covering 100% of the Clariden shares owned by SMC for a total consideration of P2,135; and (ii) the Deed of Assignment of Receivables covering SMC’s receivables in Clariden and its subsidiaries totaling P725.

On September 6, 2013, the Parent Company and SMC, with the conformity of Clariden, executed the Deed of Assignment of Subscription Rights for P604, recognized as advances for investment in shares of stock of Clariden. Transaction costs incurred and capitalized as part of the cost of investment and advances for investment amounted to P4 and P1, respectively.

Clariden’s primary purpose is to acquire by purchase, exchange, assignment or otherwise, and to sell, assign, transfer, exchange, lease, let, develop, mortgage, pledge, deal in and operate, enjoy and dispose of, all properties of every kind and description and whenever situated and to the extent permitted by law. Clariden holds mining tenements in various areas in the Philippines. These mining tenements, owned by Clariden’s various subsidiaries, include: (i) Mineral Production Sharing Agreements (MPSAs) for the Nonoc Nickel Project, Mt. Cadig Nickel Project and Lo-oc Limestone Project; (ii) Exploration Permits for certain areas under the Bango Gold Project; and (iii) pending Application for Production Sharing Agreement and pending Exploration Permit Applications for other areas of the Bango Gold Project.

With the acquisition of 100% of the outstanding and issued shares of stock of Clariden, the Parent Company obtained control and consolidated Clariden effective August 30, 2013.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents		<b>P156</b>
Trade and other receivables		<b>76</b>
Prepaid expenses and other current assets		<b>81</b>
Investments and advances - net		<b>175</b>
Property, plant and equipment	<i>14</i>	<b>138</b>
Other intangible assets - net	<i>17</i>	<b>13,638</b>
Deferred tax assets		<b>312</b>
Other noncurrent assets - net		<b>60</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses		<b>(1,850)</b>
Long-term debt - net of debt issue costs		<b>(52)</b>
Deferred tax liabilities		<b>(590)</b>
Other noncurrent liabilities		<b>(11,716)</b>
<b>Total Identifiable Net Assets at Fair Value</b>		<b>P428</b>

The fair value of the trade and other receivables amounts to P76. None of the receivables has been impaired and it is expected that the full amount can be collected.

From August 30 to December 31, 2013, Clariden and subsidiaries contributed net loss of P283 to the Group's financial performance.

Goodwill was recognized as a result of the acquisition as follows:

	<i>Note</i>	<b>2013</b>
Total consideration transferred		<b>P2,744</b>
Non-controlling interest measured at proportionate interest in identifiable net assets		<b>(667)</b>
Total identifiable net assets at fair value		<b>(428)</b>
<b>Goodwill</b>	<i>17, 37</i>	<b>P1,649</b>

Goodwill arising from the acquisition is attributable to the benefit of expected revenue growth and future development.

On various dates in 2013, the Parent Company made additional advances for future stock subscription in Clariden amounting to P82.

- **SMC**

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of the Parent Company to the SMC common shareholders of record (the "Receiving Shareholders") as of November 5, 2013. The SEC approved the property dividend declaration on November 19, 2013, and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue (BIR) on December 26, 2013.

The Receiving Shareholder is entitled to receive one (1) common share of the Parent Company for every ten (10) common shares of SMC. Fractional shares below 10 were dropped. The fair value of the Parent Company's common shares is P178.00 per share, based on the Valuation and Fairness Opinion rendered by an independent advisor engaged by SMC.

The property dividend distribution resulted in SMC's public shareholders owning about 11.8% of the Parent Company.

The Parent Company, being a shareholder of SMC, received 157,310,033 of its own common shares equivalent to P28,001 recognized as "Treasury stock" and "Additional paid-in capital" in the consolidated statement of changes in equity as of December 31, 2013 (Note 24).

The declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC, which resulted to the reclassification of the Parent Company's investment in SMC's common shares from AFS financial assets to investment in shares of stock of subsidiaries and consolidation of SMC effective October 17, 2013.

The following summarizes the recognized amounts of assets and liabilities at the business combination date:

	<i>Note</i>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents		<b>P179,318</b>
Trade and other receivables - net		<b>135,528</b>
Inventories		<b>89,314</b>
Prepaid expenses and other current assets		<b>35,651</b>
Assets held for sale		<b>50,943</b>
Investments and advances - net		<b>43,860</b>
Available-for-sale financial assets		<b>42,079</b>
Property, plant and equipment - net	<i>14</i>	<b>413,583</b>
Investment property - net	<i>15</i>	<b>4,161</b>
Biological assets - net	<i>16</i>	<b>5,745</b>
Other intangible assets - net	<i>17</i>	<b>25,051</b>
Deferred tax assets		<b>15,266</b>
Other noncurrent assets - net		<b>45,186</b>
<b>Liabilities</b>		
Loans payable		<b>(155,313)</b>
Accounts payable and accrued expenses		<b>(106,912)</b>
Income and other taxes payable		<b>(10,624)</b>
Dividends payable		<b>(1,880)</b>
Long-term debt - net of debt issue costs		<b>(294,615)</b>
Deferred tax liabilities		<b>(12,565)</b>
Finance lease liabilities		<b>(195,169)</b>
Other noncurrent liabilities		<b>(12,680)</b>
<b>Total Identifiable Net Assets at Fair Value</b>		<b>P295,927</b>

The fair value of the trade and other receivables amounts to P135,528. The gross amount of the receivables is P141,372, of which P5,844 is expected to be uncollectible at the acquisition date (Note 9).

From October 17 to December 31, 2013, SMC and subsidiaries contributed net income of P14,947 to the Group's financial performance.

Goodwill was recognized as a result of the business combination as follows:

	<i>Note</i>	<b>2013</b>
Investment cost of the Parent Company		<b>P152,078</b>
Non-controlling interest measured at proportionate interest in identifiable net assets		<b>233,329</b>
Total identifiable net assets at fair value		<b>(295,927)</b>
<b>Goodwill</b>	<i>17, 37</i>	<b>P89,480</b>

Goodwill arising from the acquisition is attributable to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of SMC. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

▪ **PIDC**

SMC through Rapid, a wholly-owned subsidiary of SMHC, has a 35% equity interest in PIDC. PIDC is a company primarily engaged in the business of construction and development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. PIDC holds the toll road concession rights representing the contract to finance, design, construct, operate and maintain the TPLEX Project.

On September 12, 2011, Rapid advanced P1,111 as deposit for future stock subscription to 1,111,228 common shares of PIDC. As of December 31, 2012, one of the conditions for the issuance of the subscribed shares to Rapid has not yet been met.

On December 27, 2013, the Toll Regulatory Board (TRB) approved the issuance of stock certificates to Rapid covering the 1,111,228 common shares of PIDC representing additional 10% equity interest, thereby increasing Rapid's ownership interest in PIDC to 45%.

With the increase in ownership interest in PIDC to 45%, Rapid determined that it controls PIDC effective December 27, 2013 (Note 4).

SMHC has elected to measure non-controlling interest at proportionate interest in identifiable net assets.

The following summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	<i>Note</i>	<b>2013</b>
<b>Assets</b>		
Cash and cash equivalents		<b>P845</b>
Trade and other receivables		<b>1,601</b>
Prepaid expenses and other current assets		<b>1,051</b>
Property, plant and equipment - net	<i>14</i>	<b>64</b>
Other intangible assets - toll road concession rights	<i>17</i>	<b>10,652</b>
Other noncurrent assets - net		<b>43</b>
<b>Liabilities</b>		
Accounts payable and accrued expenses		<b>(1,306)</b>
Long-term debt - net of debt issue costs		<b>(6,941)</b>
<b>Total Identifiable Net Assets at Fair Value</b>		<b>P6,009</b>

The fair value of the trade and other receivables amounts to P1,601. None of the receivables has been impaired and it is expected that the full amount can be collected.

Total identifiable net assets at fair value is equal to the consideration transferred and non-controlling interest measured at proportionate interest in identifiable net assets.

As discussed in Note 4, the Group is currently completing the purchase price allocation exercise on the acquisition of Clariden and the consolidation of SMC and PIDC. The identifiable assets and liabilities at fair value are based on provisional amounts as at the acquisition date, which is allowed under PFRS 3, within 12 months from the acquisition date.

If the foregoing acquisitions have occurred on January 1, 2013, management estimates that consolidated revenue would have been P747,720 and consolidated net income for the year would have been P13,821. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the acquisition date would have been the same if the acquisition had occurred on January 1, 2013.

## **II. Investments in Subsidiaries**

The following are the developments relating to SMC's investments in shares of stocks of subsidiaries from October 17, 2013:

### *SMYA*

On October 1, 2013, the BOD of SMYPIL approved the acquisition of the remaining 35% shares in San Miguel Yamamura Knox Pty. Ltd. (SMYK) from James Huntly Knox and SMYK employees holding Management Incentive Shares for US\$13.71.

With the additional investment, SMYPIL has obtained 100% ownership in SMYK. On October 25, 2013, the Australian Securities and Investments Commission approved the change in its name to San Miguel Yamamura Australasia Pty. Ltd.

*Mincorr*

On November 20, 2013, the SEC approved Mincorr's application for the Amendment of Articles of Incorporation for the increase in authorized capital stock from P500 divided into 450,000 common shares and 50,000 preferred shares, both with a par value of P1,000.00 per share to P650 divided into 600,000 common shares and 50,000 preferred shares, both with a par value of P1,000.00 per share.

The details of the Group's material non-controlling interests are as follows:

	December 31, 2013			
	SMC	Petron	SMB	SMPFC
<b>Percentage of non-controlling interests</b>	<b>33.82%</b>	<b>31.74%*</b>	<b>48.83%*</b>	<b>14.63%*</b>
<b>Carrying amount of non-controlling interests</b>	<b>P118,034</b>	<b>P75,359</b>	<b>P15,824</b>	<b>P20,591</b>
<b>Net income attributable to non-controlling interests</b>	<b>P10,692</b>	<b>P165</b>	<b>P1,909</b>	<b>P494</b>
<b>Other comprehensive income (loss) attributable to non-controlling interests</b>	<b>P434</b>	<b>P1,106</b>	<b>(P309)</b>	<b>(P28)</b>
<b>Dividends paid to non-controlling interests</b>	<b>P3,334</b>	<b>P -</b>	<b>P1,089</b>	<b>P329</b>

\*Pertains to material non-controlling interests of SMC.

The following are the unaudited condensed financial information of investments in subsidiaries with material non-controlling interest:

	December 31, 2013			
	SMC	Petron	SMB	SMPFC
Current assets	<b>P489,006</b>	<b>P183,960</b>	<b>P24,742</b>	<b>P53,683</b>
Noncurrent assets	<b>681,081</b>	<b>173,498</b>	<b>68,168</b>	<b>19,161</b>
Current liabilities	<b>(335,546)</b>	<b>(176,570)</b>	<b>(33,116)</b>	<b>(24,971)</b>
Noncurrent liabilities	<b>(468,764)</b>	<b>(69,000)</b>	<b>(26,759)</b>	<b>(5,513)</b>
<b>Net assets</b>	<b>P365,777</b>	<b>P111,888</b>	<b>P33,035</b>	<b>P42,360</b>
Sales	<b>P747,720</b>	<b>P463,638</b>	<b>P75,053</b>	<b>P99,773</b>
Net income	<b>P50,728</b>	<b>P5,092</b>	<b>P12,521</b>	<b>P4,084</b>
Other comprehensive income (loss)	<b>2,889</b>	<b>2,835</b>	<b>(39)</b>	<b>(146)</b>
<b>Total comprehensive income</b>	<b>P53,617</b>	<b>P7,927</b>	<b>P12,482</b>	<b>P3,938</b>
Cash flows provided by operating activities	<b>P61,757</b>	<b>P33,752</b>	<b>P13,670</b>	<b>P6,956</b>
Cash flows used in investing activities	<b>(39,237)</b>	<b>(43,329)</b>	<b>(3,839)</b>	<b>(2,899)</b>
Cash flows provided by (used in) financing activities	<b>42,563</b>	<b>32,539</b>	<b>(17,918)</b>	<b>(1,311)</b>
Effects of exchange rate changes on cash and cash equivalents	<b>1,023</b>	<b>471</b>	<b>326</b>	<b>4</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>P66,106</b>	<b>P23,433</b>	<b>(P7,761)</b>	<b>P2,750</b>

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## 6. Segment Information

### Operating Segments

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

The Group's reportable segments are beverage, food, packaging, energy, fuel and oil, infrastructure, telecommunications and mining.

The beverage segment produces and markets alcoholic and nonalcoholic beverages.

The food segment includes, among others, feeds production, poultry and livestock farming, processing and selling of poultry and meat products, processing and marketing of refrigerated and canned meat products, manufacturing and marketing of flour products, premixes and flour-based products, dairy-based products, breadfill, desserts, cooking oil, importation and marketing of coffee and coffee-related products.

The packaging segment is involved in the production and marketing of packaging products including, among others, glass containers, glass molds, polyethylene terephthalate (PET) bottles and preforms, PET recycling, plastic closures, corrugated cartons, woven polypropylene, kraft sacks and paperboard, pallets, flexible packaging, plastic crates, plastic floorings, plastic films, plastic trays, plastic pails and tubs, metal closures and two-piece aluminum cans, woven products, industrial laminates and radiant barriers. It is also involved in crate and plastic pallet leasing, PET bottle filling graphics design, packaging research and testing, packaging development and consultation, contract packaging and trading.

The energy segment is engaged in power generation, distribution and trading and coal mining. The power generation assets supply electricity to a variety of customers, including Manila Electric Company (Meralco), electric cooperatives, industrial customers and the Philippine Wholesale Electricity Spot Market (WESM).

The fuel and oil segment is engaged in refining and marketing of petroleum products.

The infrastructure segment is engaged in the business of construction and development of various infrastructure projects such as airports, roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges.

The telecommunications segment is engaged in rendering all types of domestic and international telecommunications services.

The mining segment is engaged in exploration, development and commercial utilization of nickel, cobalt, chrome, iron, gold and other mineral deposits.

### Segment Assets and Liabilities

Segment assets include all operating assets used by a segment and consist primarily of operating cash, receivables, inventories, biological assets, and property, plant and equipment, net of allowances, accumulated depreciation and amortization, and impairment. Segment liabilities include all operating liabilities and consist primarily of accounts payable and accrued expenses and other noncurrent liabilities, excluding interest payable. Segment assets and liabilities do not include deferred taxes.

#### Inter-segment Transactions

Segment revenues, expenses and performance include sales and purchases between operating segments. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Such transactions are eliminated in consolidation.

#### Major Customer

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

## Operating Segments

Financial information about reportable segments follows:

	For the Year Ended December 31, 2013									
	Beverage	Food	Packaging	Energy	Fuel and Oil	Infrastructure	Telecommunications	Mining and Others	Eliminations	Consolidated
<b>Sales</b>										
External sales	P25,710	P28,348	P4,895	P17,569	P126,086	P868	P344	P1,337	P -	P205,157
Inter-segment sales	208	12	2,578	1,415	1,619	-	-	999	(6,831)	-
Total sales	P25,918	P28,360	P7,473	P18,984	P127,705	P868	P344	P2,336	(P6,831)	P205,157
<b>Result</b>										
Segment result	P6,190	P1,843	(P196)	P4,776	P1,720	(P73)	(P77)	(P5,340)	P101	P8,944
Interest expense and other financing charges										(10,290)
Interest income										893
Equity in net earnings of associates and joint ventures										21
Gain on sale of investments and property and equipment										30,756
Other charges - net										(5,070)
Income tax expense										(1,592)
<b>Net income</b>										P23,662
Attributable to:										
Equity holders of the Parent Company										P10,437
Non-controlling interests										13,225
<b>Net Income</b>										P23,662

	For the Year Ended December 31, 2013									
	Beverage	Food	Packaging	Energy	Fuel and Oil	Infrastructure	Telecommunications	Mining and Others	Eliminations	Consolidated
<b>Other Information</b>										
Segment assets	<b>P78,069</b>	<b>P68,398</b>	<b>P33,132</b>	<b>P292,344</b>	<b>P346,524</b>	<b>P41,186</b>	<b>P11,432</b>	<b>P274,096</b>	<b>(P135,841)</b>	<b>P1,009,340</b>
Investments in and advances to associates and joint ventures	<b>720</b>	<b>-</b>	<b>3,636</b>	<b>6,012</b>	<b>892</b>	<b>7,465</b>	<b>7,515</b>	<b>34,634</b>	<b>-</b>	<b>60,874</b>
Goodwill and trademarks and brand names										<b>91,372</b>
Other assets										<b>6,377</b>
Assets held for sale										<b>8,798</b>
Deferred tax assets										<b>15,793</b>
<b>Consolidated Total Assets</b>										<b>P1,192,554</b>
Segment liabilities	<b>P23,574</b>	<b>P15,854</b>	<b>P6,383</b>	<b>P16,941</b>	<b>P72,522</b>	<b>P31,141</b>	<b>P21,062</b>	<b>P105,001</b>	<b>(P141,548)</b>	<b>P150,930</b>
Loans payable										<b>143,740</b>
Long-term debt										<b>336,212</b>
Finance lease liabilities										<b>195,048</b>
Income and other taxes payable										<b>13,131</b>
Dividends payable and others										<b>5,408</b>
Deferred tax liabilities										<b>11,591</b>
<b>Consolidated Total Liabilities</b>										<b>P856,060</b>
Capital expenditures	<b>P750</b>	<b>P497</b>	<b>P767</b>	<b>P3,581</b>	<b>P6,763</b>	<b>P19</b>	<b>P547</b>	<b>P933</b>	<b>P -</b>	<b>P13,857</b>
Depreciation and amortization of property, plant and equipment (Note 27)	<b>636</b>	<b>253</b>	<b>374</b>	<b>1,507</b>	<b>1,492</b>	<b>10</b>	<b>107</b>	<b>359</b>	<b>-</b>	<b>4,738</b>
Noncash items other than depreciation and amortization of property, plant and equipment	<b>829</b>	<b>581</b>	<b>906</b>	<b>2,500</b>	<b>730</b>	<b>(93)</b>	<b>9</b>	<b>7,203</b>	<b>-</b>	<b>12,665</b>
Loss on impairment of goodwill, property, plant and equipment, and other noncurrent assets	<b>1,539</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>95</b>	<b>-</b>	<b>1,634</b>

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## 7. Assets Held for Sale

### a) Bank of Commerce (BOC)

In June 2013, Commerce International Merchant Bankers (CIMB Bank), a subsidiary of CIMB Group Sdn Bhd. of Malaysia, and SMPI, have mutually decided not to proceed with the sale of BOC shares as originally intended in a Share Purchase Agreement executed on May 8, 2012 covering the sale of up to 65,083,087 fully paid ordinary shares, equivalent to a 58% equity interest in BOC for a total consideration of up to approximately P12,000.

SMPI's management is still committed to sell its equity ownership interest, and in the process of negotiating the sale to a prospective buyer. Accordingly, the investment in BOC amounting to P8,785, representing 44,817,164 common shares, is presented as part of "Assets held for sale" account in the 2013 consolidated statement of financial position.

Management determined that the carrying amount of investment in BOC as of December 31, 2013 is fully recoverable, thus, no impairment loss was recognized in 2013.

### b) Prestigio Realty, Inc. (Prestigio)

In 2013, SMPI entered into a memorandum of agreement for the sale of Prestigio shares to a certain individual. Management believes that the sale will push through rendering the investment as assets held for sale as of December 31, 2013.

Accordingly, the carrying amount of the investment amounting to P13 as of December 31, 2013 was reclassified to "Assets held for sale" account in the 2013 consolidated statement of financial position.

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## 8. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	<i>Note</i>	<b>2013</b>	2012
Cash in banks and on hand		<b>P38,369</b>	P6
Short-term investments		<b>153,444</b>	197
	<i>39, 40</i>	<b>P191,813</b>	P203

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

## 9. Trade and Other Receivables

Trade and other receivables consist of:

	<i>Note</i>	<b>2013</b>	<b>2012</b>
Trade		<b>P66,056</b>	P -
Non-trade	12	<b>91,701</b>	-
Amounts owed by related parties	13, 32, 34	<b>16,278</b>	551
		<b>174,035</b>	551
Less allowance for impairment losses	4	<b>8,450</b>	-
	39, 40	<b>P165,585</b>	P551

Trade receivables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade receivables include interest receivable and receivable from employees. These are generally collectible on demand.

The movements in the allowance for impairment losses are as follows:

	<i>Note</i>	<b>2013</b>
Balance arising from business combination	5, 37	<b>P5,844</b>
Charges for the year	26	<b>3,175</b>
Amounts written off		<b>(143)</b>
Translation adjustments and others		<b>(426)</b>
Balance at end of year		<b>P8,450</b>

The aging of receivables is as follows:

<b>December 31, 2013</b>	<b>Trade</b>	<b>Non-trade</b>	<b>Amounts Owed by Related Parties</b>	<b>Total</b>
Current	<b>P52,684</b>	<b>P58,047</b>	<b>P16,183</b>	<b>P126,914</b>
Past due:				
Less than 30 days	<b>5,905</b>	<b>1,424</b>	<b>6</b>	<b>7,335</b>
30-60 days	<b>3,337</b>	<b>4,515</b>	<b>-</b>	<b>7,852</b>
61-90 days	<b>1,385</b>	<b>3,528</b>	<b>-</b>	<b>4,913</b>
Over 90 days	<b>2,745</b>	<b>24,187</b>	<b>89</b>	<b>27,021</b>
	<b>P66,056</b>	<b>P91,701</b>	<b>P16,278</b>	<b>P174,035</b>

Dividends receivable amounting to P551 as of December 31, 2012 are all current.

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

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

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## 10. Inventories

Inventories consist of:

	<b>2013</b>
Finished goods and goods in process (including petroleum products)	<b>P60,232</b>
Materials and supplies (including coal)	<b>17,815</b>
Containers	<b>1,344</b>
	<b>P79,391</b>

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The cost of finished goods and goods in process amounted to P61,068 as of December 31, 2013.

If the Group used the moving-average method (instead of the first-in, first-out method, which is the Group's policy), the cost of petroleum, crude oil and other petroleum products would have decreased by P1,398 as of December 31, 2013.

The cost of materials and supplies amounted to P18,636 as of December 31, 2013.

Containers at cost amounted to P1,823 as of December 31, 2013.

The fair values of marketable hogs and cattle, and grown broilers, which comprise the Group's agricultural produce, have been categorized as Level 1 and Level 3, respectively, in the fair value hierarchy based on the inputs used in the valuation techniques.

The valuation model used is based on the following: (a) quoted prices for harvested mature grown broilers at the time of harvest; and (b) quoted prices in the market at any given time for marketable hogs and cattle; provided that there has been no significant change in economic circumstances between the date of the transactions and the reporting date. Costs to sell are estimated based on the most recent transaction and is deducted from the fair value in order to measure the fair value of agricultural produce at point of harvest. The estimated fair value would increase (decrease) if weight and quality premiums increase (decrease) (Note 4).

The fair value of agricultural produce less costs to sell, which formed part of finished goods inventory, amounted to P813 as of December 31, 2013, with corresponding costs at point of harvest amounting to P654. Net unrealized gain on fair valuation of agricultural produce amounted to P159 as of December 31, 2013.

## 11. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of:

	<i>Note</i>	<b>2013</b>	2012
Prepaid taxes and licenses		<b>P27,498</b>	P10
Raw land inventory and real estate projects		<b>3,924</b>	-
Option deposit	12, 39, 40	<b>1,110</b>	-
CIP - airport concession arrangement	4	<b>819</b>	-
Derivative assets	39, 40	<b>681</b>	-
Prepaid insurance		<b>361</b>	-
AFS financial assets - current portion	13, 39, 40	<b>358</b>	-
Prepaid rent		<b>273</b>	-
Financial assets at FVPL	39, 40	<b>117</b>	-
Others		<b>2,597</b>	-
		<b>P37,738</b>	P10

The Group's CIP - airport concession arrangement includes the following: (a) costs incurred on the design of the upgrade component of the development of the Boracay Airport; (b) cost of a parcel of land earmarked for such upgrade; (c) capitalized borrowing cost; (d) cost incurred for the acquisition of the right of way related to such upgrade; and (e) the present value of the IRO (Note 33). This will be transferred and recognized as cost of construction upon commencement of the construction of the new terminal and runway (Note 4). The interest expense related to the accretion of the IRO amounting to P1 in 2013 was recognized as part of "Interest expense and other financing charges" account in the consolidated statement of income (Note 29).

"Others" consist of advances to officers and employees and prepayments for various operating expenses.

The methods and assumptions used to estimate the fair values of financial assets at FVPL, derivative assets and AFS financial assets are discussed in Note 40.

## 12. Investments and Advances

Investments and advances consist of:

	<i>Note</i>	<b>2013</b>
<b>Investments in Associates and Joint Ventures - at Equity</b>		
<b>Acquisition Cost</b>		
Balance arising from business combinations	5, 37	<b>P39,862</b>
Additions		<b>5,821</b>
Reclassification to investments in subsidiaries		<b>(1,575)</b>
Others		<b>(964)</b>
Balance at end of year		<b>43,144</b>
<b>Accumulated Equity in Net Losses</b>		
Balance arising from business combinations	5, 37	<b>(6,704)</b>
Equity in net earnings		<b>21</b>
Dividends		<b>(70)</b>
Reclassification to investments in subsidiaries		<b>(17)</b>
Share in other comprehensive loss		<b>(409)</b>
Others		<b>340</b>
Balance at end of year		<b>(6,839)</b>
		<b>36,305</b>
<b>Advances</b>	<b>5</b>	<b>24,569</b>
		<b>P60,874</b>

### **Investments in Associates:**

- a. Trustmark Holdings Corporation (Trustmark) and Zuma Holdings and Management Corporation (Zuma)

On April 3, 2012, SMC through SMEII, signed Investment Agreements with the Lucio Tan Group to subscribe to the unissued common shares equivalent to 49% of the outstanding capital stock of Trustmark and Zuma for a total consideration of P21,506.

With the acquisition of the 49% equity interests in Trustmark and Zuma, SMEII indirectly owns 43.23% and 48.98% beneficial interests in Philippine Airlines, Inc. (PAL) and Air Philippines Corporation (APC), respectively, as of December 31, 2013.

PAL, the national flag carrier of the Philippines, and APC are primarily engaged in the business of air transportation for the carriage of passengers and cargo within and outside the Philippines.

- b. Atlantic

On October 11, 2011, SMC through SMHC, entered into a Sale and Purchase Agreement of Shares with PT Matra Sarana Arsitama, a corporation organized and existing under the laws of the Republic of Indonesia, for the purchase of 16,022,041 Class B common shares, representing 46.53% of the outstanding capital stock of Atlantic for US\$132 or P5,871. Atlantic has indirect equity interests in the companies holding the concessions to construct, operate and maintain the SMMS and South Luzon Expressway.

On December 29, 2011, SMHC entered into an Option Agreement with Padma, a corporation organized and existing under the laws of Cayman Islands, for the option to purchase up to 53.47% of the outstanding capital stock of Atlantic. SMHC paid US\$40 or P1,754 as option deposit for the option to purchase the shares. The option deposit was returned to SMHC on January 26, 2012.

On May 24, 2012, SMHC and Padma entered into another Option Agreement (the Agreement) for the option to acquire additional 4.47% equity interest in Atlantic and up to 100% of the outstanding capital stock of certain corporations where Padma holds ownership interest for US\$25 or P1,110. The option is exercisable at any time from the execution of the Agreement or such other date as may be agreed upon by the parties in writing. The option deposit shall be returned upon the issuance of a written notice by SMHC confirming that the option shall not be exercised. The option deposit is presented as part of "Prepaid expenses and other current assets" account in the consolidated statement of financial position as of December 31, 2013 (Note 11).

c. Fortunate Star Limited (Fortunate Star)

On December 27, 2013, SMC entered into a subscription agreement with Fortunate Star, a corporation organized and existing under the Laws of Cayman Islands, for the subscription of 133,703,629 shares with par value of US\$1.00 per share or a total subscription amount of US\$133 or P5,821.

Fortunate Star is a company primarily engaged in the business of an investment company, act as promoters, entrepreneurs, financiers, capitalists, concessionaires, merchants, brokers, traders, dealers, agents, importers and exporters and executes all kinds of investments, financial, commercial, mercantile, trading and other operations.

d. Northern Cement Corporation (NCC)

On March 1, 2013, SMC through SMYPC, completed the acquisition of 104,500,000 common shares, equivalent to 35% equity interest in NCC for P3,500.

NCC is primarily engaged in manufacturing, developing, processing, exploiting, buying and selling cement and/or other products derived therefrom.

e. Liberty Telecoms Holdings, Inc. (LTHI)

SMC through Vega, has 41.48% stake in LTHI representing 643,700,669 common shares and 587,951,737 preferred shares. The preferred shares are voting, non-redeemable and participating.

LTHI, a public company listed on the PSE, is a holding company with ownership interests in telecommunication companies that offer internet broadband services.

The fair value of the Group's investment in LTHI common shares amounting to P1,056 as of December 31, 2013 has been categorized as Level 1 in the fair value hierarchy based on the quoted market price of LTHI shares in active markets available at the reporting date.

The fair value of the Group's investment in LTHI preferred shares amounting to P964 as of December 31, 2013 has been categorized as Level 2 in the fair value hierarchy based on inputs other than quoted prices included within Level 1 that are observable for the asset at the reporting date.

f. Meralco

On September 30, 2013, SMC, together with SMPFC and SMC Global, entered into a Share Purchase Agreement with JG Summit Holdings, Inc. (JG Summit), for the sale of 305,689,397 shares of stock of Meralco for P71,837. The sale is subject to the satisfaction of certain closing conditions, which were satisfied by all of the parties on December 11, 2013.

As of December 31, 2013, the Group received P40,400 as payments and the remaining balance amounting to P31,437 is included as part of “Non-trade” under “Trade and other receivables” account in the 2013 consolidated statement of financial position (Note 9). The remaining balance was paid by JG Summit on March 25, 2014.

As a result of the sale, the Group recognized a gain of P30,717, included as part of “Gain on sale of investments, available-for-sale financial assets and property and equipment” account in the 2013 consolidated statement of income.

**Investments in Joint Ventures:**

a. TSML

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

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

b. TGT

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

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

**Advances:**

- a. SMPI provided US dollar-denominated deposits to Primeria Comercio Holdings, Inc. (PCHI), a future investee of SMPI, amounting to P800 as of December 31, 2013. The deposits will be applied against future stock subscriptions of SMPI to the shares of stock of PCHI.
- b. Vega has made deposits to a telecommunications company, a future investee, amounting to P5,958 as of December 31, 2013, to be applied against future stock subscriptions.
- c. In 2013, SMC Global and SMEC made deposits to land holding companies for the purchase of parcels of land.
- d. Other advances pertain to deposits made to certain companies which will be applied against future stock subscriptions.

The details of the Group's material investments in associates and joint ventures which are accounted for using the equity method are as follows:

	December 31, 2013						
	Trustmark and Zuma	Atlantic	Fortunate Star	NCC	LTHI	TGT and TSML	Others
Country of incorporation	Philippines	Netherlands	Cayman Islands	Philippines	Philippines	Thailand	Total
Percentage of ownership*	49.00%	46.53%	20.00%	35.00%	41.48%	44.90%	
Share in net income (loss)	(P466)	P573	P -	P145	(P240)	(P17)	P26
Share in other comprehensive income (loss)	-	(375)	-	-	(40)	6	-
Share in total comprehensive income (loss)	(P466)	P198	P -	P145	(P280)	(P11)	P26
Dividends received from an associate	P -	P -	P -	P70	P -	P -	P -
Carrying amount of investments in associates and joint ventures	P15,642	P7,287	P5,821	P3,636	P1,557	P720	P1,642
							P36,305

\*Pertains to SMC's percentage of ownership over its material investments in associates and joint ventures.

The following are the unaudited condensed financial information of the Group's material investments in associates and joint ventures:

	December 31, 2013				
	Trustmark and Zuma	Atlantic	NCC	LTHI	TGT and TSML
Current assets	P28,477	P7,407	P2,061	P889	P1,319
Noncurrent assets	97,608	57,498	3,325	3,208	1,536
Current liabilities	(80,385)	(6,930)	(699)	(5,251)	(642)
Noncurrent liabilities	(41,135)	(50,840)	(141)	(368)	(609)
Net assets (liabilities)	P4,565	P7,135	P4,546	(P1,522)	P1,604
Sales	P85,045	P11,534	P4,022	P447	P1,124
Net income (loss)	(P6,924)	P4,590	P760	(P1,446)	(P167)
Other comprehensive loss	-	(1,341)	-	(96)	-
Total comprehensive income (loss)	(P6,924)	P3,249	P760	(P1,542)	(P167)

### 13. Available-for-Sale Financial Assets

Available-for-sale financial assets consist of:

	<i>Note</i>	<b>2013</b>	2012
Equity securities		<b>P5,467</b>	P165,805
Government and other debt securities		<b>815</b>	-
Proprietary membership shares and others		<b>244</b>	-
	<i>4, 39, 40</i>	<b>6,526</b>	165,805
Less current portion	<i>11</i>	<b>358</b>	-
	<i>39, 40</i>	<b>P6,168</b>	P165,805

#### Equity Securities

*Indophil Resources NL (Indophil).* SMC through Coastal View Exploration Corporation (Coastal View), a subsidiary of SMHC, has approximately 3.99% equity interest in Indophil.

Indophil is an Australian company listed in the Australian Stock Exchange, which owns a 37.5% beneficial interest in Sagittarius Mines, Inc. (SMI). SMI has the rights to the Tampakan gold and copper mine in South Cotabato.

The fair value of the investment in Indophil amounted to P314 as of December 31, 2013.

*SMC.* As discussed in Note 5, the declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC and changed the control structure in terms of the Parent Company's ability to direct the relevant activities of SMC through interchange of key management personnel. The transaction resulted to the reclassification of the Parent Company's investment in SMC's common shares from AFS financial assets to investment in shares of stock of a subsidiary and the consolidation of SMC effective October 17, 2013.

The following are the developments relating to the Parent Company's investments in shares of stock of SMC:

#### *Option Agreement with the Group of 44 Companies*

Pursuant to an Agreement entered into by the Parent Company on November 20, 2009, the Parent Company acquired an option from the group of 44 companies to acquire 476,722,639 SMC Class "A" common shares and 16,652,544 SMC Class "B" common shares at P75.00 per share for which the Parent Company paid an amount of US\$200 or P9,393 as advances.

The option agreement with the group of 44 companies also provides the Parent Company the rights, with prior written notice to the 44 companies, to assign, transfer and convey its rights to and interest in the option in favor of a third party provided: (i) such assignment, transfer and conveyance made by the Parent Company is consummated during the option period; (ii) the assignee of the option is acceptable to the group of 44 companies; and (iii) the terms and conditions of the agreement shall be valid, binding and enforceable on the assignee. The call option was recognized as "derivative assets" until June 14, 2012.

On June 14, 2012, the BOD of the Parent Company approved the assignment of its rights to exercise the option covering 368,140,516 SMC common shares in favor of Master Year Limited (MYL), one of the Parent Company's shareholders. Also, on June 14, 2012, the BOD of the Parent Company approved the exercise of the option covering the remaining 125,234,667 SMC common shares and applied the advances of P9,393 as payment of the acquisition cost thereof. The transactions resulted to the recognition of loss on derivatives in profit or loss amounting to P14,354 in 2012. Marked to market loss on derivative assets recognized in profit or loss amounted to P405 and P11,703 for the years ended December 31, 2012 and 2011, respectively (Note 31).

Dividend income from the above investments amounted to P1,652, P2,665 and P1,568 in 2013, 2012 and 2011, respectively (Note 31). Dividends receivable amounted to P551 as of December 31, 2012 (Note 9).

The fair market value of the investment in SMC common shares amounted to P105.40 per share or P165,805 as of December 31, 2012.

The Parent Company had total shareholdings of 1,573,100,340 common shares of SMC as of December 31, 2013 and 2012. Out of the 1,573,100,340 SMC shares, 225,987,648 SMC shares are lodged in the Philippine Depository and Trust Company.

#### Government Securities

Petrogen's government securities are deposited with the Bureau of Treasury in accordance with the provisions of the Insurance Code, for the benefit and security of its policyholders and creditors. These investments bear fixed annual interest rates ranging from 6% to 8.875% in 2013.

Ovincor's ROP9 Bonds are maintained at the HSBC Bank Bermuda Limited and carried at fair value with fixed annual interest rates of 8.250% to 8.875%.

The fair value of Ovincor's ROP9 Bonds amounted to P630 as of December 31, 2013.

The methods and assumptions used to estimate the fair value of AFS financial assets are discussed in Note 40.

## 14. Property, Plant and Equipment

Property, plant and equipment consist of:

	Note	Land and Land Improvements	Buildings and Improvements	Power Plants	Refinery and Plant Equipment	Service Stations and Other Equipment	Machinery and Equipment	Telecommunications Equipment	Transportation Equipment	Tools and Small Equipment	Office Equipment, Furniture and Fixtures	Molds	Leasehold Improvements	Construction in Progress	Total
<b>Cost</b>															
Balances arising from business combinations	5, 37	P25,070	P44,533	P221,615	P49,014	P15,322	P86,886	P6,963	P12,790	P2,932	P5,374	P426	P2,769	P100,992	P574,686
Additions		392	2,136	145	800	856	2,571	32	155	37	124	283	(14)	6,340	13,857
Disposals and reclassifications		87	542	-	(242)	(576)	4,392	-	(178)	(185)	(138)	117	(577)	1,237	4,479
Currency translation adjustments		23	293	-	103	67	903	-	15	22	13	3	3	(75)	1,370
<b>December 31, 2013</b>		<b>25,572</b>	<b>47,504</b>	<b>221,760</b>	<b>49,675</b>	<b>15,669</b>	<b>94,752</b>	<b>6,995</b>	<b>12,782</b>	<b>2,806</b>	<b>5,373</b>	<b>829</b>	<b>2,181</b>	<b>108,494</b>	<b>594,392</b>
<b>Accumulated Depreciation and Amortization</b>															
Balances arising from business combinations	5, 37	2,748	18,131	19,704	29,852	9,852	52,854	5,360	4,251	2,192	4,427	303	1,491	-	151,165
Additions		37	461	1,421	578	345	1,327	84	250	59	98	39	39	-	4,738
Disposals and reclassifications		31	(70)	-	(214)	(569)	1,981	-	(77)	(128)	(146)	116	(379)	-	545
Currency translation adjustments		(4)	115	-	74	45	304	-	3	(24)	10	1	1	-	525
<b>December 31, 2013</b>		<b>2,812</b>	<b>18,637</b>	<b>21,125</b>	<b>30,290</b>	<b>9,673</b>	<b>56,466</b>	<b>5,444</b>	<b>4,427</b>	<b>2,099</b>	<b>4,389</b>	<b>459</b>	<b>1,152</b>	<b>-</b>	<b>156,973</b>
<b>Accumulated Impairment Losses</b>															
Balances arising from business combinations	5, 37	385	2,200	-	-	-	7,084	-	12	14	40	1	-	-	9,736
Additions		-	388	-	-	-	1,145	-	-	4	2	-	-	-	1,539
Disposals and reclassifications		(119)	-	-	-	-	(1)	-	-	-	-	(1)	1	-	(120)
Currency translation adjustments		-	75	-	-	-	217	-	-	-	-	-	-	-	292
<b>December 31, 2013</b>		<b>266</b>	<b>2,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,445</b>	<b>-</b>	<b>12</b>	<b>18</b>	<b>42</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>11,447</b>
<b>Carrying Amount December 31, 2013</b>		<b>P22,494</b>	<b>P26,204</b>	<b>P200,635</b>	<b>P19,385</b>	<b>P5,996</b>	<b>P29,841</b>	<b>P1,551</b>	<b>P8,343</b>	<b>P689</b>	<b>P942</b>	<b>P370</b>	<b>P1,028</b>	<b>P108,494</b>	<b>P425,972</b>

Total depreciation, amortization and impairment losses recognized in profit or loss amounted to P6,277 in 2013 (Notes 27 and 31). The amount includes annual amortization of capitalized interest amounting to P15 in 2013.

The Group has interest amounting to P3,618 which was capitalized in 2013. The capitalization rates used to determine the amount of interest eligible for capitalization range from 5.59% to 6.3131% in 2013. The unamortized capitalized borrowing costs amounted to P3,711 as of December 31, 2013.

The combined carrying amounts of power plants, machinery and equipment and transportation equipment under finance lease amounted to P193,356 as of December 31, 2013 (Notes 4 and 33).

- Davao PET Plant

On November 4, 2013, SMC, BPI and SMYPC signed respective Sale and Purchase Agreements and Asset Purchase Agreements with Coca-Cola Bottlers Philippines, Inc. and its subsidiary, Luzviminda Land Holdings, Inc., for the sale of the PET Plant and other properties located in Davao for P1,263. As a result of the transaction, the Group recognized a gain amounting to P186, which was included as part of “Gain on sale of investments, available-for-sale financial assets and property and equipment” account in the 2013 consolidated statement of income.

- Sumilao Property

Land and land improvements include a 144-hectare property in Sumilao, Bukidnon, acquired by SMFI in 2002, which later became the subject of a petition for revocation of conversion order filed by MAPALAD, a group of Sumilao farmers, with the Department of Agrarian Reform (DAR), and appealed to the Office of the President (OP). Total acquisition and development costs amounted to P37.

To settle the land dispute, a Memorandum of Agreement (MOA) was executed among SMFI, MAPALAD, OP and DAR on March 29, 2008. The MOA provided for the release of a 50-hectare portion of the property to qualified farmer-beneficiaries, and the transfer of additional 94 hectares outside of the property to be negotiated with other Sumilao landowners. Under the MOA, SMFI shall retain ownership and title to the remaining portion of the property for the completion and pursuit of the hog farm expansion.

SMFI fully complied with all the provisions of the MOA in the last quarter of 2010. To formally close the pending cases filed by MAPALAD with the Supreme Court and OP, SMFI forwarded in November 2010 to the Sumilao farmers’ counsels the draft of the Joint Manifestation and Motion for Dismissal of the cases pending with the Supreme Court and the OP for their concurrence. Pursuant to the Joint Manifestation and Motion for Dismissal dated March 3, 2011 filed by SMFI and NQSR Management and Development Corporation, the original owner of the Sumilao property, the Supreme Court and the OP, in a Resolution dated March 15, 2011 and in an Order dated April 6, 2011, respectively, dismissed the appeal of MAPALAD on the DAR’s denial of their petition for the revocation of the conversion order. The allowable period for MAPALAD to appeal the decision of the OP and the Supreme Court has prescribed as of March 27, 2014.

## 15. Investment Property

The movements in investment property are as follows:

	Note	Land and Land Improvements	Buildings and Improvements	Machinery and Equipment	Tools and Small Equipment	Construction in Progress	Total
<b>Cost</b>							
Balances arising from business combination	5, 37	P2,358	P604	P1,099	P9	P1,497	P5,567
Additions		2	-	-	-	134	136
Reclassifications		(49)	(77)	(634)	(9)	-	(769)
Disposals		(11)	-	-	-	-	(11)
Currency translation adjustments		6	7	-	-	-	13
<b>December 31, 2013</b>		<b>2,306</b>	<b>534</b>	<b>465</b>	<b>-</b>	<b>1,631</b>	<b>4,936</b>
<b>Accumulated Depreciation and Amortization</b>							
Balances arising from business combination	5, 37	116	267	1,006	9	-	1,398
Additions		2	4	5	-	-	11
Reclassifications		(18)	(69)	(565)	(9)	-	(661)
Currency translation adjustments		1	3	-	-	-	4
<b>December 31, 2013</b>		<b>101</b>	<b>205</b>	<b>446</b>	<b>-</b>	<b>-</b>	<b>752</b>
<b>Accumulated Impairment Losses</b>							
Balances arising from business combination	5, 37	8	-	-	-	-	8
<b>December 31, 2013</b>		<b>8</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8</b>
<b>Carrying Amount</b>							
<b>December 31, 2013</b>		<b>P2,197</b>	<b>P329</b>	<b>P19</b>	<b>P -</b>	<b>P1,631</b>	<b>P4,176</b>

No impairment loss was recognized in 2013.

There are no other direct selling and administrative expenses other than depreciation and amortization and real property taxes arising from investment property that generated income in 2013.

The fair value of investment property was determined by external, independent property appraisers having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the Group's investment property annually.

### Valuation Technique and Significant Unobservable Inputs

The valuation of investment property applied one or more or a combination of the three approaches below:

*Cost Approach.* This approach is based on the principle of substitution, which holds that an informed buyer would not pay more for a given property than the cost of an equally desirable alternative. The methodology of this approach is a set of procedures that estimate the current reproduction cost of the improvements, deducts accrued depreciation from all sources, and adds the value of investment property.

*Sales Comparison Approach.* The market value was determined using the Sales Comparison Approach. The comparative approach considers the sale of similar or substitute property, registered within the vicinity, and the related market data. The estimated value is established by process involving comparison. The property being valued is then compared with sales of similar property that have been transacted in the market. Listings and offerings may also be considered. The observable inputs to determine the market value of the property are the following: location characteristics, size, time element, quality and prospective use, bargaining allowance and marketability.

*Income Approach.* The rental value of the subject property was determined using the Income Approach. Under the Income Approach, the market value of the property is determined first, and then proper capitalization rate is applied to arrive at its rental value. The rental value of the property is determined on the basis of what a prudent lessor or a prospective lessee are willing to pay for its use and occupancy considering the prevailing rental rates of similar property and/or rate of return a prudent lessor generally expects on the return on its investment. A study of current market conditions indicates that the return on capital for similar real estate investment ranges from 3% to 5%.

The fair value of investment property amounting to P6,434 as of December 31, 2013 has been categorized as Level 2 in the fair value hierarchy based on the inputs used in the valuation techniques (Note 4).

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## 16. Biological Assets

Biological assets consist of:

	<i>Note</i>	<b>2013</b>
Current:		
Growing stocks		<b>P3,086</b>
Goods in process		<b>341</b>
		<b>3,427</b>
Noncurrent:		
Breeding stocks - net	<i>4</i>	<b>1,911</b>
		<b>P5,338</b>

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The amortization of breeding stocks recognized in profit or loss amounted to P412 in 2013 (Note 27).

Growing stocks pertain to growing broilers, hogs and cattle while goods in process pertain to hatching eggs.

The movements in biological assets are as follows:

	<i>Note</i>	<b>2013</b>
<b>Cost</b>		
Balance arising from business combination	5, 37	<b>P6,385</b>
Increase (decrease) due to:		
Production		<b>9,421</b>
Purchases		<b>234</b>
Mortality		<b>(152)</b>
Sales		<b>(1,297)</b>
Harvest		<b>(8,217)</b>
Reclassifications		<b>(351)</b>
Currency translation adjustments		<b>13</b>
Balance at end of year		<b>6,036</b>
<b>Accumulated Amortization</b>		
Balance arising from business combination	5, 37	<b>640</b>
Additions	27	<b>412</b>
Disposals		<b>(4)</b>
Reclassifications		<b>(351)</b>
Currency translation adjustments		<b>1</b>
Balance at end of year		<b>698</b>
<b>Carrying Amount</b>		<b>P5,338</b>

The Group harvested approximately 472.5 million kilograms of grown broilers in 2013 and 0.86 million heads of marketable hogs and cattle in 2013.

## **17. Goodwill and Other Intangible Assets**

Goodwill and other intangible assets consist of:

	<i>Note</i>	<b>2013</b>
Goodwill	5	<b>P91,129</b>
Other intangible assets		<b>49,679</b>
		<b>P140,808</b>

The movements in other intangible assets with indefinite useful lives are as follows:

	<i>Note</i>	<b>Licenses</b>	<b>Trademarks and Brand Names</b>	<b>Total</b>
<b>Cost</b>				
Balances arising from business combinations	5, 37	P7,049	P430	P7,479
Currency translation adjustments		(44)	6	(38)
<b>December 31, 2013</b>		<b>7,005</b>	<b>436</b>	<b>7,441</b>
<b>Accumulated Impairment Losses</b>				
Balances arising from business combinations	5, 37	-	189	189
Currency translation adjustments		-	4	4
<b>December 31, 2013</b>		<b>-</b>	<b>193</b>	<b>193</b>
<b>Carrying Amount December 31, 2013</b>		<b>P7,005</b>	<b>P243</b>	<b>P7,248</b>

The movements in other intangible assets with finite useful lives are as follows:

	<i>Note</i>	<b>Toll Road Concession Rights</b>	<b>Leasehold Rights</b>	<b>Land Use Rights</b>	<b>Mineral Rights and Evaluation Assets</b>	<b>Airport Concession Right</b>	<b>Licenses</b>	<b>Project Development Cost</b>	<b>Others</b>	<b>Total</b>
<b>Cost</b>										
Balances arising from business combinations	5, 37	P13,136	P30	P1,516	P15,358	P637	P267	P11,039	P2,085	P44,068
Additions		176	-	-	9	51	-	1	41	278
Disposals and reclassifications		-	-	-	-	229	(48)	-	(22)	159
Currency translation adjustments		-	-	36	-	-	(1)	-	15	50
<b>December 31, 2013</b>		<b>13,312</b>	<b>30</b>	<b>1,552</b>	<b>15,367</b>	<b>917</b>	<b>218</b>	<b>11,040</b>	<b>2,119</b>	<b>44,555</b>
<b>Accumulated Amortization and Impairment Losses</b>										
Balances arising from business combinations	5, 37	245	-	489	-	28	113	-	1,142	2,017
Additions		13	-	9	-	3	9	-	71	105
Disposals and reclassifications		-	-	-	-	(6)	-	-	(6)	(12)
Currency translation adjustments		-	-	12	-	-	-	-	2	14
<b>December 31, 2013</b>		<b>258</b>	<b>-</b>	<b>510</b>	<b>-</b>	<b>25</b>	<b>122</b>	<b>-</b>	<b>1,209</b>	<b>2,124</b>
<b>Carrying Amount December 31, 2013</b>		<b>P13,054</b>	<b>P30</b>	<b>P1,042</b>	<b>P15,367</b>	<b>P892</b>	<b>P96</b>	<b>P11,040</b>	<b>P910</b>	<b>P42,431</b>

Airport concession right represents the present value of the annual franchise fee payable to the ROP over 25 years, discounted using 9% internal borrowing rate, net of accumulated amortization (Notes 4, 11, 22 and 33).

Toll road concession rights represent the costs incurred for the construction of the toll roads (Notes 4 and 33).

Project development costs consist of capitalized expenditures related to the NAIA Expressway Project (Note 33).

Mineral rights and evaluation assets with finite lives and licenses and trademarks and brand names with indefinite lives acquired through business combinations, have been allocated to individual cash-generating units, for impairment testing as follows:

	<b>2013</b>	
	<b>Mineral Rights and Evaluation Assets</b>	<b>Licenses, Trademarks and Brand Names</b>
Mining	<b>P13,647</b>	<b>P -</b>
Energy	<b>1,720</b>	<b>-</b>
Telecommunications	<b>-</b>	<b>5,221</b>
Beverage	<b>-</b>	<b>1,798</b>
Food	<b>-</b>	<b>229</b>
<b>Total</b>	<b>P15,367</b>	<b>P7,248</b>

Goodwill with indefinite lives arising from business combinations in 2013 amounted to P91,129 (Notes 5 and 37).

The recoverable amount of goodwill has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a constant growth rate determined per individual cash-generating unit. This growth rate is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6% to 14% in 2013. The discount rate also imputes the risk of the cash-generating units compared to the respective risk of the overall market and equity risk premium. The recoverable amount of goodwill has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

No impairment losses were recognized in 2013.

The recoverable amount of trademarks and brand names has been determined based on a valuation using cash flow projections covering a five-year period based on long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The range of the growth rates used is consistent with the long-term average growth rate for the industry. The discount rate applied to after tax cash flow projections ranged from 6.6% to 21.4% in 2013. The recoverable amount of trademarks and brand names has been categorized as Level 3 in the fair value hierarchy based on the inputs used in the valuation technique.

No impairment loss was recognized in 2013.

Management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause its carrying amount to exceed its recoverable amount.

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

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

- *Discount Rates.* The Group uses the weighted-average cost of capital as the discount rate, which reflects management's estimate of the risk specific to each unit. This is the benchmark used by management to assess operating performance and to evaluate future investments proposals.
- *Raw Material Price Inflation.* Consumer price forecast is obtained from indices during the budget period from which raw materials are purchased. Values assigned to key assumptions are consistent with external sources of information.

## 18. Other Noncurrent Assets

Other noncurrent assets consist of:

	<i>Note</i>	<b>2013</b>
Noncurrent receivables and deposits - net	32, 34, 39, 40	<b>P22,260</b>
Deferred containers - net	4	<b>7,950</b>
Retirement assets	34	<b>6,737</b>
Noncurrent prepaid rent		<b>5,039</b>
Restricted cash	39, 40	<b>1,817</b>
Noncurrent prepaid input tax		<b>1,775</b>
Idle assets	4	<b>1,066</b>
Deferred exploration and development costs	4, 33	<b>568</b>
Others		<b>2,888</b>
		<b>P50,100</b>

Noncurrent receivables and deposits include amounts owed by related parties amounting to P16,957 as of December 31, 2013 (Note 32) and the costs related to the capitalized expenditures for the development of the Metro Rail Transit Line 7 (MRT 7) Project amounting to P2,393 as of December 31, 2013 (Note 33).

Restricted cash represents: (i) SPI's Cash Flow Waterfall Accounts with a local bank amounting to P626 as part of the provisions in the Omnibus Loan and Security Agreement; (ii) amounts deposited in an escrow account amounting to P1,174 in connection with the MOA entered into by PVEI and Korea Water Resources Corporation (K-Water) on August 23, 2013. The MOA requires, among others, the set-up of a joint venture partnership for the acquisition, rehabilitation, operation and maintenance of the Angat Hydroelectric Power Plant awarded by PSALM to K-Water; and (iii) accounts with local banks to establish a Mine Rehabilitation Fund (MRF) in compliance with the requirements of the Philippine Mining Act of 1995 and a deposit on a trust account with a bank, as required by the insurance company, to serve as a guarantee for the surety bond required by the BIR for the payment of the Group's excise taxes on nickel ore sales. The MRF will be used for physical and social rehabilitation of areas and communities affected by mining activities and for research on social, technical and preventive aspects of rehabilitation.

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## 19. Loans Payable

Loans payable consist of:

	<i>Note</i>	<b>2013</b>
<b>Parent Company</b>		
Peso-denominated		<b>P514</b>
<b>Subsidiaries</b>		
Peso-denominated		<b>121,996</b>
Foreign currency-denominated		<b>21,230</b>
	<i>39, 40</i>	<b>P143,740</b>

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Loans payable mainly represent unsecured peso and foreign currency-denominated amounts obtained from local and foreign banks. Interest rates for peso-denominated loans range from 0.50% to 6.50% in 2013. Interest rates for foreign currency-denominated loans range from 1.16% to 13.78% in 2013.

Loans payable include interest bearing amounts payable to a related party amounting to P2,775 as of December 31, 2013 (Note 32).

Loans payable of the Group are not subject to covenants and warranties.

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## 20. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consist of:

	<i>Note</i>	<b>2013</b>	2012
Trade		<b>P71,774</b>	P -
Non-trade		<b>37,416</b>	1
Amounts owed to related parties	32	<b>10,674</b>	10,774
Accrued interest payable		<b>2,725</b>	51
Payables on the purchase of shares of stock	5	<b>1,337</b>	-
Derivative liabilities	39, 40	<b>455</b>	-
Retirement liabilities	34	<b>100</b>	-
Current portion of IRO	4	<b>16</b>	-
Others		<b>3,574</b>	-
	<i>39, 40</i>	<b>P128,071</b>	P10,826

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Trade payables are non-interest bearing and are generally on a 30 to 45-day term.

Non-trade payables include freight payable, contract growers/breeders' fees, guarantee deposits, utilities, rent and other expenses payable to third parties.

"Others" include accruals for payroll, materials, repairs and maintenance, advertising, handling, contracted labor, supplies and various other payables.

The methods and assumptions used to estimate the fair values of derivative liabilities are discussed in Note 40.

## 21. Long-term Debt

Long-term debt consists of:

	2013	2012
<b>Parent Company</b>		
Unsecured term notes:		
Foreign currency-denominated:		
Floating interest rate based on LIBOR plus margin, maturing in 2014 (a)	<b>P28,663</b>	P26,099
<b>Subsidiaries</b>		
Bonds:		
Peso-denominated:		
Fixed interest rate of 8.875% and 10.50% maturing in 2014 and 2019, respectively (b)	<b>25,078</b>	-
Fixed interest rate of 6.05%, 5.93% and 6.60% maturing in 2017, 2019 and 2022, respectively (c)	<b>19,837</b>	-
Foreign currency-denominated:		
Fixed interest rate of 7% maturing in 2016 (d)	<b>13,247</b>	-
Unsecured term notes:		
Peso-denominated:		
Fixed interest rate of 7% maturing in 2017 (e)	<b>19,859</b>	-
Fixed interest rate of 6.3131% maturities up to 2023 (f)	<b>12,117</b>	-
Fixed interest rate of 8.14% and 9.33% maturing in 2014 and 2016, respectively (g)	<b>9,782</b>	-
Fixed interest rate of 6.3212% and 7.1827% with maturities up to 2018 and 2021, respectively (h)	<b>3,498</b>	-
Fixed interest rate of 6.175% and 6.145% maturing in 2016 (i)	<b>1,500</b>	-
Fixed interest rate of 7.25% maturing in 2014 (j)	<b>1,269</b>	-
Fixed interest rate of 7.89% and 7.25% maturing in 2015 (k)	<b>812</b>	-
Fixed interest rate of 5.4885% maturing in 2015 (l)	<b>797</b>	-
Fixed interest rate of 12.00% (m)	<b>52</b>	-
Floating interest rate based on PDST-F plus margin, with maturities up to 2015 (n)	<b>8,649</b>	-
Floating interest rate based on PDST-F plus margin, with maturities up to 2021 (o)	<b>6,941</b>	-
Floating interest rate based on PDST-F plus margin, maturing in 2015 (l)	<b>3,686</b>	-
Floating interest rate based on PDST-F plus margin or BSP overnight rate plus margin, whichever is higher, with maturities up to 2019 (p)	<b>3,486</b>	-
Floating interest rate based on PDST-F plus margin, with maturities up to 2022 (q)	<b>2,344</b>	-
Floating interest rate based on PDST-F plus margin, with maturities up to 2023 (r)	<b>2,064</b>	-
Floating interest rate based on PDST-F plus margin or BSP overnight rate, whichever is higher, with maturities up to 2018 (s)	<b>572</b>	-

Forward

	2013	2012
Foreign currency-denominated:		
Fixed interest rate of 4.875% with maturities up to 2023 (t)	<b>P35,034</b>	P -
Fixed interest rate of 2% with maturities up to 2014 (u)	<b>9,511</b>	-
Floating interest rate based on LIBOR plus margin, with maturities in various dates through 2018 (v)	<b>72,641</b>	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2018 (w)	<b>21,725</b>	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2017 (x)	<b>21,069</b>	-
Floating interest rate based on LIBOR plus margin, with maturities up to 2016 (y)	<b>11,979</b>	-
	<b>307,549</b>	-
	<b>336,212</b>	26,099
Less current maturities	<b>71,522</b>	-
	<b>P264,690</b>	P26,099

- a. The amount represents US\$650 loan obtained by the Parent Company on June 19, 2012 for the following purposes: (i) the prepayment in part of amounts owed to a shareholder; (ii) the partial redemption of the Parent Company's outstanding preferred shares; and (iii) the funding of the transaction costs, fees and expenses to be incurred thereby.

The financing facility has a lien over: (i) the shareholdings of the Parent Company of up to 1,058,234,667 SMC common shares, as may be required to maintain the collateral cover ratio specified under the financing facility; and (ii) the two bank accounts of the Parent Company, to secure the full and prompt payment of its financial obligation under the facility and its faithful and punctual performance of the other terms and conditions thereof.

The loan is payable on June 19, 2014 pursuant to the Omnibus Agreement signed on June 15, 2012.

Unamortized debt issue costs amounted to P194 and P584 of December 31, 2013 and 2012, respectively.

- b. The amount represents SMB's peso-denominated fixed rate bonds (Bonds) worth P38,800 which were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 17, 2009 and are listed on the Philippine Dealing & Exchange Corp. (PDEX) for trading.

The Bonds were issued in three (3) series: Series A Bonds with a fixed interest rate of 8.25% per annum; Series B Bonds with a fixed interest rate of 8.875% per annum; and Series C Bonds with a fixed interest rate of 10.50% per annum.

In February 2012, SMB obtained the consent of bondholders representing 76.92% of the aggregate principal amount of the P38,800 Bonds to maintain a minimum interest coverage ratio of 4.75:1 in lieu of a minimum current ratio of 1:1.

The Series A bonds with an aggregate principal amount of P13,590 matured on April 3, 2012 and was accordingly redeemed by SMB on the said date.

Unamortized debt issue costs amounted to P33 as of December 31, 2013.

- c. The amount represents SMB's peso-denominated fixed rate bonds (Bonds) worth P20,000, which were sold to the public pursuant to a registration statement that was rendered effective by the SEC on March 16, 2012. The Bonds were issued on April 2, 2012 at the issue price of 100.00% of face value in three (3) series: Series D Bonds with fixed interest rate of 6.05% per annum; Series E Bonds with a fixed interest rate of 5.93% per annum; and Series F Bonds with a fixed interest rate of 6.60% per annum. The proceeds of the Bonds were used to refinance SMB's existing financial indebtedness and for general working capital purposes.

The Series E Bonds and Series F Bonds were listed on the PDEX on April 2, 2012 while the Series D Bonds was listed for trading on the PDEX effective October 3, 2012.

Unamortized debt issue costs amounted to P163 as of December 31, 2013.

- d. The amount represents US\$300, 7%, 5-year bond issued by SMC Global in 2011 under the Regulations of the US Securities Act of 1933, as amended. The unsecured bond issue is listed in the SGX-ST.

Unamortized bond issue costs amounted to P71 as of December 31, 2013.

- e. The amount represents P20,000 peso-denominated notes issued by Petron in 2010. The principal and interest will be translated into and paid in US dollar based on the average representative market rate at the applicable rate calculation date at the time of each payment. The notes bear interest of 7% per annum, payable semi-annually in arrears on every 10<sup>th</sup> of May and November of each year. The notes will mature on November 10, 2017.

Unamortized debt issue costs amounted to P141 as of December 31, 2013.

- f. The amount represents P12,300 drawdown by SPI on September 30, 2013 from the P13,800, 10-year term loan facility agreement with syndicate of banks with fixed interest rate of 6.3131%. The proceeds of the loan were used for the acquisition of the 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 1) and all other pertinent machinery, equipment, facilities and structures being constructed and installed which comprise the additional 2 x 35 MW Co-Generation Solid Fuel-Fired Power Plant (Power Plant Phase 2) in Limay, Bataan, from Petron. The drawdown includes payable to BOC amounting to P3,120 as of December 31, 2013.

Unamortized debt issue costs amounted to P183 as of December 31, 2013.

- g. The amount represents Fixed Rate Corporate Notes (FXCN) issued by Petron amounting to P5,200 and P4,800. The P5,200 five-year notes bear a fixed rate of 8.14% per annum with one-time payment of principal in June 2014. The P4,800 seven-year notes bear a fixed rate of 9.33% per annum with 6 principal payments of P48 per year commencing in June 2010 and a one-time payment of P4,512 in June 2016.

Unamortized debt issue costs amounted to P26 as of December 31, 2013.

- h. The amount represents FXCN issued by Petron in 2011 consisting of Series A Notes amounting to P690 having a maturity of 7 years from the issue date and Series B Notes amounting to P2,910 having a maturity of 10 years from the issue date. The Notes are subject to fixed interest coupons of 6.3212% per annum for the Series A Notes and 7.1827% per annum for the Series B Notes. The net proceeds from the issuance were used for general corporate requirements.

Unamortized debt issue costs amounted to P30 as of December 31, 2013.

- i. The amount represents drawdown by SMCSLC in 2011, from a local bank, which was used for working capital requirements.
- j. The amount represents syndicated loans obtained by SMYAC which were used for capital expenditures.

Unamortized debt issue costs amounted to P1 as of December 31, 2013.

- k. The amount represents drawdown by GSML, from a local bank, which was used for working capital requirements.

Unamortized debt issue costs amounted to P2 as of December 31, 2013.

- l. The amount represents corporate notes which SMFI offered for sale and subscription to the public in December 2010. These are Philippine peso-denominated fixed rate and floating rate notes with principal amounts of P800 and P3,700, respectively. Both types of notes have a term of 5 years and 1 day beginning on December 10, 2010 and ending on December 11, 2015. The fixed rate note bears interest of 5.4885% per annum while the floating rate note bears interest based on 3-month PDST-F plus an agreed margin. Proceeds from the issuance of the notes were used to fund expansion and investment in new businesses by SMFI and for general corporate purposes.

Unamortized debt issue costs amounted to P17 as of December 31, 2013.

- m. The amount represents the outstanding loan of PPC with a local bank amounting to P52 payable in sixteen semi-annual installments over a period of 10 years, inclusive of a two-year grace period, starting from December 1997. PPC was unable to pay the installments. Management is currently developing and discussing a plan with the creditor to amend the loan repayment terms and provisions to enable PPC to continue to meet its obligations from cash generated by operations.
- n. The amount represents drawdown of various loans in 2009 and 2010 by SMC used for general financing and corporate requirements.

Unamortized debt issue costs amounted to P1 as of December 31, 2013.

- o. The amount represents the drawdown by PIDC amounting to P7,000 from the P11,500 loan facility agreement with local banks, which were used to finance the TPLEX Project (Note 5).

Unamortized debt issue costs amounted to P59 as of December 31, 2013.

- p. The amount represents drawdown from the loan agreement entered into by SMYPC with BOC on October 11, 2012 amounting to P3,500 used for general financing and corporate requirements maturing on October 11, 2019.

Unamortized debt issue costs amounted to P14 as of December 31, 2013.

- q. The amount represents series of drawdowns amounting to P1,601 and P755 in 2013 and 2012, respectively, from a loan agreement entered into by TADHC with BOC amounting to P3,300, used for financing the Airport Project. The loan is payable in twenty-eight quarterly installments commencing on the twelfth quarter.

Unamortized debt issue costs amounted to P12 as of December 31, 2013.

- r. The amount represents drawdown of P2,090 by SIDC from the P3,500 loan facility agreement used to refinance its existing debt and to finance the construction and development of Stage II, Phase II of the STAR Project.

Unamortized debt issue costs amounted to P26 as of December 31, 2013.

- s. The amount represents EPSBPI's unsecured loan used to finance the construction of its bottling facilities. The loan is payable in equal quarterly installments starting February 18, 2012 bearing an interest rate equivalent to the higher of benchmark rate (three-month PDST-F rate) plus a spread or the overnight rate (BSP overnight reverse repo rate on interest rate settling date).

- t. The amount represents the drawdown of US\$800 Notes (the "Notes") issued on April 19, 2013, from SMC's US\$2,000 Medium Term Note Programme which was listed in the Singapore Exchange Securities Trading Limited (SGX-ST) on the same date. The Notes bear interest at the rate of 4.875% per annum, payable semi-annually in arrears every 26<sup>th</sup> of April and October of each year.

Unamortized debt issue costs amounted to P482 as of December 31, 2013.

- u. The amount represents the balance of SMC's US\$600 Exchangeable Bonds (the "Bonds") issued on May 5, 2011 and listed in the SGX-ST on the same date. The Bonds bear interest at the rate of 2.00% per annum, payable semi-annually in arrears, every 5<sup>th</sup> of May and November of each year, with the first interest payment made on November 5, 2011. Unless the Bonds have been previously redeemed, repurchased, cancelled or exchanged, SMC will redeem the Bonds at its principal amount on May 5, 2014.

The Bonds are exchangeable for common shares from the treasury shares of SMC. The number of common shares to be delivered in exchange of a Bond will be determined by dividing the principal amount of the Bond to be exchanged (translated into Philippine Peso at the fixed rate of P43.34=US\$1.00) by the initial exchange price of P137.50 per share, subject to adjustment in certain circumstances.

Pursuant to the resolution of the BOD of SMC authorizing management to refinance its existing financial obligations under such terms and conditions which are favorable and advantageous to SMC, SMC solicited the bondholders' consent to tender their bonds for repurchase. On various dates in 2013, SMC has repurchased Bonds having an aggregate principal amount of US\$363. The aggregate cash amount paid by SMC based on the aggregate principal amount of the Bond repurchased, as well as accrued interest, is US\$398.

A total of US\$22 worth of exchangeable bonds representing 8,717,014 common shares of SMC were exchanged at issue prices ranging from P108.43 to P113.24 as of December 31, 2013.

Unamortized bond issue costs amounted to P25 as of December 31, 2013.

- v. The amount represents drawdown by SMC on April 29, 2013, to pay in full and refinance the US\$1,000 loan availed of in 2010. Also, SMC availed of US\$300, US\$200, and US\$170 loan, on June 13, August 14 and November 5, 2013, respectively, to be used for general corporate purposes and to fund infrastructure investments.

Unamortized debt issue costs amounted to P1,499 as of December 31, 2013.

- w. The balance represents the drawdown of US\$500 5-year term loan from the US\$650 facility agreement which SMC Global has drawn in September 2013. The loan proceeds in 2013 were used to refinance SMC Global's existing US\$200 3-year term loan and to finance new investments in power-related assets. On November 15, 2013, the US\$650 facility agreement was amended to extend the credit line limit to US\$700.

Unamortized debt issue costs amounted to P473 as of December 31, 2013.

- x. The amount represents a five-year term loan facility signed by Petron on October 31, 2012, amounting to US\$485 with a syndicate of nine banks. An initial drawdown of US\$100 was made on November 9, 2012. Subsequent drawdown of US\$35 and US\$140 were made in December 2012. The remaining balance of US\$210 was drawn in January 2013. The proceeds were used partly to finance the capital expenditure requirements of RMP-2 Project. Amortization in seven equal amounts will start in November 2014, with final amortization due in November 2017.

Unamortized debt issue costs amounted to P463 as of December 31, 2013.

- y. The amount represents the US\$480 term loan facility signed and executed by Petron on September 30, 2011. The first drawdown of US\$80 was made on November 25, 2011. Petron availed of the remaining US\$400 of the term loan facility on February 15, 2012. A partial payment of US\$180 was made on June 29, 2012 and another partial payment of US\$26 on October 30, 2013. The facility is amortized over 5 years with a 2-year grace period and is subject to a floating interest rate plus a fixed spread. The loan proceeds were used to finance the capital expenditure requirements of the RMP-2 Project.

Unamortized debt issue costs amounted to P198 as of December 31, 2013.

Long-term debt includes interest-bearing amounts payable to a related party amounting to P8,976 as of December 31, 2013 (Note 32).

The debt agreements contain, among others, covenants relating to merger and consolidation, maintenance of certain financial ratios, working capital requirements, restrictions on loans and guarantees, disposal of a substantial portion of assets, significant changes in the ownership or control of subsidiaries, payments of dividends and redemption of capital stock.

The Group is in compliance with the covenants of the debt agreements as of December 31, 2013.

The movements in debt issue costs are as follows:

	<i>Note</i>	<b>2013</b>	2012
Balance at beginning of year		<b>P584</b>	P -
Balance arising from business combination	5, 37	<b>3,838</b>	-
Additions		<b>425</b>	764
Amortization	29	<b>(402)</b>	(180)
Reclassification, capitalized and others		<b>(332)</b>	-
Balance at end of year		<b>P4,113</b>	P584

#### Repayment Schedule

The annual maturities of long-term debt are as follows:

<b>Year</b>	<b>Gross Amount</b>	<b>Debt Issue Costs</b>	<b>Net</b>
2014	P71,997	P475	P71,522
2015	26,914	686	26,228
2016	35,190	381	34,809
2017	32,931	390	32,541
2018 and thereafter	173,293	2,181	171,112
<b>Total</b>	<b>P340,325</b>	<b>P4,113</b>	<b>P336,212</b>

Contractual terms of the Group's interest-bearing loans and borrowings and exposure to interest rate, foreign currency and liquidity risks are discussed in Note 39.

## **22. Other Noncurrent Liabilities**

Other noncurrent liabilities consist of:

	<i>Note</i>	<b>2013</b>
Payables on the purchase of shares of stock	5	<b>P11,820</b>
Retirement liabilities	34	<b>7,472</b>
Retention payable		<b>3,913</b>
ARO	4	<b>1,004</b>
Cash bonds		<b>363</b>
Cylinder deposits		<b>210</b>
Obligation to ROP - service concession agreement	4, 17, 33	<b>73</b>
IRO	4	<b>63</b>
Accrual for mine rehabilitation and decommissioning	4	<b>17</b>
Redeemable preferred shares	4	<b>13</b>
Others		<b>558</b>
	39, 40	<b>P25,506</b>

*Redeemable Preferred Shares.* These represent the preferred shares of TADHC issued in 2010. The preferred shares are cumulative, non-voting, redeemable and with liquidation preference. The shares are preferred as to dividends, which are given in the form of coupons, at the rate of 90% of the applicable base rate (i.e., one year PDST-F). The dividends are cumulative from and after the date of issue of the preferred shares, whether or not in any period the amount is covered by available unrestricted retained earnings.

The preferred shares will be mandatorily redeemed at the end of the ten-year period from and after the issuance of the preferred shares by paying the principal amount, plus all unpaid coupons (at the sole option of TADHC, the preferred shares may be redeemed earlier in whole or in part).

In the event of liquidation, dissolution, bankruptcy or winding up of the affairs of TADHC, the holders of the preferred shares are entitled to be paid in full, an amount equivalent to the issue price of such preferred shares plus all accumulated and unpaid dividends up to the current dividend period or proportionately to the extent of the remaining assets of TADHC, before any assets of TADHC will be paid or distributed to the holders of the common shares.

*Payables on the Purchase of Shares of Stock.* These amounts include: (a) the unpaid balance of the purchase price of PPC shares and the Tranche B receivables in accordance with the terms of the Amended and Restated Definitive Agreement (ARDA); and (b) advances made by Privatization Management Office (PMO) for the settlement of the liabilities of PPC.

- a. The ARDA and Supplemental ARDA were executed on May 10, 1996 and May 2, 1997, respectively, and amended on September 27, 1999, for PIC's acquisition from PMO of the Shares and the Tranche B receivables for a total purchase price of US\$334 less US\$70, representing the stipulated amount of PPC's liabilities to its creditors excluding the National Government. The said purchase price is payable subject to various provisions of the ARDA as follows: (1) US\$260 payable in twenty three (23) successive semi-annual installments, the first installment of which started in September 2003; and (2) US\$4 payable in one hundred seventy one (171) monthly installments, the first installments of which started in August 1996.

Among others, the payment of the purchase price is subject to the following provisions:

- i. PIC shall pay an installment only if, during the six-month period ending one month prior to an installment payment date (or such applicable date), the average London Metal Exchange (LME) price for nickel shall be higher than PIC's cash break-even price for such period. Notwithstanding the foregoing provision, if PPC's cash available for payments to PMO (as defined in the ARDA) shall not be sufficient to pay the whole installment, then PIC shall pay only such portion of the installment as shall be equal to PPC's cash available for payments to PMO and the unpaid portion shall be deferred to the next succeeding installment payment date.
- ii. In the event that the payment of an installment, or a portion thereof, is deferred pursuant to the above provisions, PIC shall accrue interest thereon beginning on the date the installment was originally due until paid in full at an interest rate equivalent to the six-month London Interbank Offered Rate for dollar deposits. All interest accrued on this provision shall be paid by PIC to PMO on the installment payment date immediately following the six (6) months period during which the average LME price for nickel is higher than PPC's cash break-even price.
- iii. At least fifty percent of the portion of the purchase price shall be paid by PIC at the end of the ninth year after Final Notice (as defined in the ARDA) and the balance at the end of the fifteenth year after Final Notice, even if the average LME price for nickel shall be equal or lower than PIC's cash break-even price for such period.

No payments were made for the said purchase price as of December 31, 2013.

As security for the payment of the said purchase price in accordance with the terms of the ARDA, PIC pledged the Shares to PMO on May 2, 1997. PIC shall also pledge to PMO the preferred shares to be received from PPC upon the conversion of the Tranche B receivables to equity.

On September 27, 1999, the cash break-even price formulated on May 2, 1997 was deleted. PIC and PMO shall establish a new cash break-even price formula which reflects the appropriate cost centers for a nickel refinery based on a pressure acid leach technology. As of December 31, 2013, the cash break-even price formula has not yet been established.

- b. The amounts owed to PMO also consist of the advances made by PMO for the settlement of the liabilities of PPC amounting to P1,289 as of December 31, 2013. The advances will be paid by PIC in behalf of PPC and will be payable, without interest, in twenty-three (23) successive semi-annual installments with a three and a half (3 1/2) year grace period, from the date of the Amendment Agreement to the ARDA or over a total period of fifteen (15) years inclusive of the grace period. The first installment should have been paid on September 27, 2003.

PIC has not accrued any interest on the unpaid monthly installments as management believes that interest is not due to PMO, since the cash break-even price has not yet been established, and PIC has no cash available for payment to PMO as defined in the ARDA.

PIC filed a case with the Regional Trial Court of Makati (Court) for suspension of payments, to stop PMO from enforcing the provision under the ARDA providing for automatic reversion of PPC shares to PMO and for the court to fix a period of payment. The Court granted PIC's application and issued a Writ of Preliminary Injunction to enjoin PMO from enforcing the said automatic reversion of clause while the case is pending. The issues on whether the Writ of Injunction should be lifted and the validity of the said clause were appealed and are now pending before the Supreme Court. As of December 31, 2013, the cases are still on-going and pending resolution.

*Accrual for Mine Rehabilitation and Decommissioning.* The Group accrues for the future cost of rehabilitating the mine site and the related production facilities for the development of mines or installation of those facilities. The rehabilitation provision represents the present value of rehabilitation costs to be incurred by 2022. The accrual has been created based on the Group's internal estimates and assumptions, based on current economic environment. Management believes that the estimates and assumptions used provide a reasonable basis upon which to estimate the future liability. The estimates and assumptions used are reviewed regularly to take into account any material changes. However, actual rehabilitation costs will ultimately depend upon future market prices for the necessary decommissioning works required which will reflect market conditions at the relevant time. Furthermore, the timing of rehabilitation is likely to depend on when the mine ceases to produce at economically viable rates. This, in turn, will depend upon future ore prices, which are inherently uncertain.

The Contingent Liability and Rehabilitation Fund Steering Committee, having approved the Final Mine Rehabilitation and/or Decommissioning Plan (FMR/DP) of the Group's nickel refinery located in Nonoc Island, Surigao City, granted the Certificate of Approval dated February 24, 2010 to the Group, after the Group has substantially complied with the FMR/DP requirements.

“Others” include amounts owed to creditors conforming to debt restructuring and other noncurrent payables. These creditors have agreed to the settlement proposal of PIC which provides for the deferral of payment of the principal obligations over a number of years. These amounts are payable, without interest, over ten (10) years in seventeen (17) semi-annual installments commencing two (2) years after the resumption of commercial operations.

“Others” also include amounts owed to related parties amounting to P49 as of December 31, 2013 (Note 32).

## 23. Income Taxes

Deferred tax assets and liabilities arise from the following:

	<b>2013</b>
Allowance for impairment losses on trade and other receivables and inventory	<b>P3,611</b>
NOLCO	<b>2,042</b>
MCIT	<b>447</b>
Undistributed net earnings of foreign subsidiaries	<b>(3,361)</b>
Unrealized intercompany charges and others	<b>1,463</b>
	<b>P4,202</b>

The above amounts are reported in the consolidated statement of financial position as follows:

	<i>Note</i>	<b>2013</b>
Deferred tax assets	<i>4</i>	<b>P15,793</b>
Deferred tax liabilities		<b>(11,591)</b>
		<b>P4,202</b>

The undistributed earnings of foreign subsidiaries and cumulative translation adjustments for which deferred tax liabilities have not been recognized amounted to P4,246 as of December 31, 2013.

As of December 31, 2013, the NOLCO and MCIT of the Group that can be claimed as deduction from future taxable income and deduction from corporate income tax due, respectively, are as follows:

<b>Year</b>	<b>Carryforward Benefits Up To</b>	<b>NOLCO</b>	<b>MCIT</b>
<b>Incurred/Paid</b>			
2011	December 31, 2014	P1,241	P67
2012	December 31, 2015	1,379	157
2013	December 31, 2016	4,188	223
		<b>P6,808</b>	<b>P447</b>

The components of income tax expense are shown below:

	2013	2012	2011
Current	<b>P3,927</b>	P1	P1
Deferred	<b>(2,335)</b>	-	-
	<b>P1,592</b>	P1	P1

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

	2013	2012	2011
Statutory income tax rate	<b>30.00%</b>	(30.00%)	(30.00%)
Increase (decrease) in income tax rate resulting from:			
Interest income subject to final tax	<b>(1.06%)</b>	-	-
Equity in net earnings of associates and joint ventures	<b>(0.03%)</b>	-	-
Gain on sale of investments subject to final or capital gains tax	<b>(36.49%)</b>	-	-
Loss (gain) on derivatives	<b>(1.47%)</b>	35.62%	31.53%
Others, mainly income subject to different tax rates - net	<b>15.35%</b>	(5.60%)	(1.52%)
Effective income tax rate	<b>6.30%</b>	0.02%	0.01%

## 24. Equity

### a. Capital Stock

#### Common Shares

On January 6, 2010, SMC acquired a 49% stake via equity infusion in the Parent Company consisting of its subscription to 2,401,960 common shares of the Parent Company's unissued capital stock. On January 7, 2010, the Parent Company issued 2,401,960 common shares to SMC at a price of P18,600.00 per share, resulting to additional paid-in capital of P44,436.

On July 16, 2013, the BOD and stockholders of the Parent Company approved the stock split of the Parent Company's common shares via change of the par value from P100.00 per share to P1.00 per share. As a result of such stock split, the issued and outstanding common shares increased from 4,901,960 to 490,196,000. The new authorized capital stock of the Parent Company amounted to P1,000 divided into 740,000,000 common shares with P1.00 par value per share and 2,600,000 preferred shares with P100.00 par value per share. The SEC approved such corporate action on August 16, 2013.

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

	<i>Note</i>	<b>2013</b>	2012	2011
Number of issued and outstanding shares at beginning of year		<b>4,901,960</b>	4,901,960	4,901,960
Effect of stock split		<b>485,294,040</b>	-	-
Issuance during the year		<b>200</b>	-	-
Treasury shares	5	<b>(159,871,064)</b>	-	-
Number of issued and outstanding shares at end of year		<b>330,325,136</b>	4,901,960	4,901,960

On December 18, 2013, the PSE approved the application of the Parent Company for the listing by way of introduction of all its common shares. The shares were listed in the PSE on January 13, 2014.

#### Preferred Shares

On October 22, 2010, the Parent Company issued the stock certificates covering SMC's investment in the 2,598,040 preferred shares at a price of P18,600.00 per share, resulting to additional paid-in capital of P48,064.

The preferred shares have a par value of P100.00 per share and are entitled to preferential dividends at a fixed rate per annum of three percent (3%) of the issue price which shall be payable quarterly in arrears and in cash. The dividends on the preferred shares shall be cumulative from and after the issue date of the preferred shares.

The preferred shares do not carry the right to vote. These are redeemable in whole or in part, at the sole option of the Parent Company, equal to its issue price plus any accrued and unpaid preferential dividends, upon notice to the holders.

The preferred shares are entitled to participate and share in the retained earnings remaining after payment of the preferential dividends at the same rate as the common shares and shall have pre-emptive right to issues or dispositions of any share of any class of the Parent Company.

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

	<b>2013</b>	2012	2011
Number of issued and outstanding shares at beginning of year	<b>1,904,540</b>	2,598,040	2,598,040
Treasury shares	<b>(1,904,540)</b>	(693,500)	-
Number of issued and outstanding shares at end of year	<b>-</b>	1,904,540	2,598,040

b. *Treasury Shares*

Treasury shares consist of:

	<i>Note</i>	<b>2013</b>	2012
Common:			
Receipt of own shares as property dividends	5	<b>P28,001</b>	P -
Common shares of the Parent Company held by SMC		<b>456</b>	-
		<b>28,457</b>	-
Preferred:			
Redemption of preferred shares		<b>12,899</b>	12,899
Preferred shares of the Parent Company held by SMC		<b>35,424</b>	-
		<b>48,323</b>	12,899
		<b>P76,780</b>	P12,899

As discussed in Note 5, on October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of stock of the Parent Company to SMC common shareholders of record as of November 5, 2013.

As discussed in Note 5, the declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC, which resulted to the consolidation of SMC effective October 17, 2013. The Parent Company, being a shareholder of SMC, received 157,310,033 of its own common shares equivalent to P28,001 recognized as “Treasury stock” and “Additional paid-in capital” in the consolidated statement of changes in equity as of December 31, 2013.

The remaining investments in the Parent Company held by SMC consisting of 2,561,031 common shares amounting to P456 and 1,904,540 preferred shares amounting to P35,424 recognized by SMC as AFS financial assets were recognized as treasury shares in the consolidated statement of financial position as of December 31, 2013.

On June 18, 2012, the Parent Company partially redeemed a total of 693,500 preferred shares out of the 2,598,040 preferred shares issued to SMC, at the total redemption price of P12,899, corresponding to the original issue price of the said preferred shares. The redeemed preferred shares are presented as “Treasury stock” in the statements of financial position as of December 31, 2013 and 2012.

c. *Unappropriated Retained Earnings*

The Group’s unappropriated retained earnings includes the accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures amounting to P14,388 in 2013. Such amounts are not available for declaration as dividends until declared by the respective investees.

The unappropriated retained earnings of the Parent Company is restricted in the amount of P28,457 as of December 31, 2013 representing the cost of common shares held in treasury.

d. *Appropriated Retained Earnings*

The BOD of certain subsidiaries approved additional appropriations amounting to P276 in 2013 to finance future capital expenditure projects.

## 25. Cost of Sales

Cost of sales consists of:

	<i>Note</i>	<b>2013</b>
Inventories		<b>P134,454</b>
Taxes and licenses		<b>10,126</b>
Energy fees		<b>8,150</b>
Freight, trucking and handling		<b>5,125</b>
Depreciation, amortization and impairment	27	<b>3,803</b>
Fuel and oil		<b>2,858</b>
Contracted services		<b>2,445</b>
Communications, light and water		<b>2,320</b>
Personnel	28	<b>1,530</b>
Repairs and maintenance		<b>878</b>
Power purchase		<b>837</b>
Rent	4, 33	<b>164</b>
Others		<b>947</b>
		<b>P173,637</b>

## 26. Selling and Administrative Expenses

Selling and administrative expenses consist of:

	<b>2013</b>	2012	2011
Selling	<b>P9,611</b>	P -	P -
Administrative	<b>12,965</b>	157	372
	<b>P22,576</b>	P157	P372

Selling expenses consist of:

	<i>Note</i>	<b>2013</b>
Advertising and promotions		<b>P2,650</b>
Freight, trucking and handling		<b>2,330</b>
Personnel	28	<b>1,601</b>
Depreciation, amortization and impairment	27	<b>737</b>
Rent	4, 33	<b>600</b>
Professional fees		<b>148</b>
Taxes and licenses		<b>147</b>
Communications, light and water		<b>138</b>
Others		<b>1,260</b>
		<b>P9,611</b>

Administrative expenses consist of:

	<i>Note</i>	<b>2013</b>	2012	2011
Personnel	28	<b>P4,135</b>	P -	P -
Impairment losses on receivables	4, 9	<b>3,175</b>	-	-
Depreciation, amortization and impairment	27	<b>1,514</b>	-	-
Professional fees		<b>846</b>	-	371
Taxes and licenses		<b>606</b>	138	-
Supplies		<b>432</b>	-	-
Communications, light and water		<b>366</b>	-	-
Advertising and promotion		<b>332</b>	-	-
Repairs and maintenance		<b>215</b>	-	-
Freight, trucking and handling		<b>114</b>	-	-
Research and development		<b>45</b>	-	-
Others	4, 33, 38	<b>1,185</b>	19	1
		<b>P12,965</b>	P157	P372

“Others” consist of entertainment and amusement, gas and oil, rent and other administrative expenses.

## 27. Depreciation, Amortization and Impairment

Depreciation, amortization and impairment are distributed as follows:

	<i>Note</i>	<b>2013</b>
Cost of sales:		
Property, plant and equipment	6, 14	<b>P3,351</b>
Deferred containers, biological assets and others	16, 18	<b>452</b>
	25	<b>3,803</b>
Selling and administrative expenses:		
Property, plant and equipment	6, 14	<b>1,425</b>
Deferred containers and others	18, 31	<b>826</b>
	26	<b>2,251</b>
		<b>P6,054</b>

“Others” include amortization of computer software, land use rights, licenses and investment property.

## 28. Personnel Expenses

Personnel expenses consist of:

	<i>Note</i>	<b>2013</b>
Salaries and wages		<b>P3,107</b>
Retirement costs	34	<b>524</b>
Other employee benefits		<b>3,635</b>
		<b>P7,266</b>

Personnel expenses are distributed as follows:

	<i>Note</i>	<b>2013</b>
Cost of sales	25	<b>P1,530</b>
Selling expenses	26	<b>1,601</b>
Administrative expenses	26	<b>4,135</b>
		<b>P7,266</b>

## 29. Interest Expense and Other Financing Charges

	<i>Note</i>	<b>2013</b>	2012	2011
Interest expense		<b>P9,067</b>	P2,012	P1,361
Other financing charges	11	<b>1,223</b>	185	489
		<b>P10,290</b>	P2,197	P1,850

Amortization of debt issue costs included in “Other financing charges” amounted to P402 and P180 in 2013 and 2012, respectively (Note 21).

Interest expense on loans payable, long-term debt, finance lease liabilities and other liabilities is as follows:

	<i>Note</i>	<b>2013</b>	2012	2011
Loans payable	19	<b>P2,077</b>	P -	P -
Long-term debt	21	<b>3,584</b>	990	-
Finance lease liabilities	33	<b>2,752</b>	-	-
Other liabilities	32	<b>654</b>	1,022	1,361
		<b>P9,067</b>	P2,012	P1,361

## 30. Interest Income

Interest income consists of:

	<i>Note</i>	<b>2013</b>	2012	2011
Interest from short-term investments, cash in banks and others		<b>P580</b>	P6	P11
Interest on amounts owed by related parties	32, 34	<b>313</b>	-	-
		<b>P893</b>	P6	P11

### 31. Other Charges

Other income (charges) consists of:

	<i>Note</i>	<b>2013</b>	2012	2011
Foreign exchange gains (losses)	39	<b>(P6,867)</b>	P2,010	P72
Dividend income	13	<b>1,721</b>	2,665	1,568
PSALM monthly fees reduction		<b>340</b>	-	-
Loss on impairment of property, plant and equipment	14	<b>(1,501)</b>	-	-
Gains (losses) on derivatives - net	13, 40	<b>1,241</b>	(14,759)	(11,703)
Others		<b>(4)</b>	-	-
		<b>(P5,070)</b>	(P10,084)	(P10,063)

SMGFB's plant ceased operations due to significant decline in market demand for its products. As a result, the Group estimated the recoverable amount of the assets and noted that such is below the carrying amount. Accordingly, an impairment loss amounting to P1,501 was recognized in profit or loss in 2013.

### 32. Related Party Disclosures

The Parent Company, certain subsidiaries and their shareholders and associates and joint ventures in the normal course of business, purchase products and services from one another. Transactions with related parties are made at normal market prices and terms. An assessment is undertaken at each financial year by examining the financial position of the related party and the market in which the related party operates.

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

	<i>Note</i>	Year	Revenue from Related Parties	Purchases from Related Parties	Amounts Owed by Related Parties	Amounts Owed to Related Parties	Terms	Conditions
Shareholders of the Parent Company	20	2013	P -	P -	P -	<b>P9,156</b>	On demand; Interest bearing	Unsecured; No impairment
		2012	-	-	-	8,067		
		2013	-	-	-	<b>221</b>	On demand; Non-interest bearing	Unsecured; No impairment
		2012	-	-	551	2,707		
Retirement plans	9, 18, 34	2013	<b>7</b>	-	<b>22,604</b>	-	On demand; Interest bearing	Unsecured; No impairment
Associates	9, 18, 20	2013	<b>3,086</b>	<b>332</b>	<b>10,173</b>	<b>1</b>	On demand; Non-interest bearing	Unsecured; No impairment
	19, 21	2013	-	-	-	<b>11,751</b>	Less than 1 to 10 years; Interest bearing	Unsecured and secured
JVC	18, 20	2013	-	<b>65</b>	<b>325</b>	<b>28</b>	On demand; Non-interest bearing	Unsecured; No impairment
Shareholders in subsidiaries	9, 20, 22	2013	-	<b>5</b>	<b>131</b>	<b>240</b>	On demand; Non-interest bearing	Unsecured; No impairment
Others	9, 20, 22	2013	<b>1</b>	-	<b>2</b>	<b>1,077</b>	On demand; Non-interest bearing	Unsecured; No impairment
<b>Total</b>		<b>2013</b>	<b>P3,094</b>	<b>P402</b>	<b>P33,235</b>	<b>P22,474</b>		
Total		2012	P -	P -	P551	P10,774		

- a. Interest-bearing payables, related financing charges and professional fees are the composition of amounts owed to a shareholder of the Parent Company. Payables are used for working capital purposes and for the acquisition of investments in shares of stock. These payables, which bear interest ranging from 3.00% to 5.81%, have no definite payment terms and are considered payable upon demand. Interest expense and financing charges amounted to P463, P1,022 and P1,361 for the years ended December 31, 2013, 2012 and 2011, respectively (Note 29).
- b. Amounts owed by related parties consist of current and noncurrent receivables and deposits and share in expenses.
- c. Amounts owed to related parties consist of trade payables and professional fees.
- d. The amounts owed to associates include interest bearing loans to BOC included as part of "Loans payable" and "Long-term debt" accounts in the consolidated statement of financial position.
- e. The compensation of key management personnel of the Group, by benefit type, follows:

	<i>Note</i>	<b>2013</b>
Short-term employee benefits		<b>P135</b>
Share-based payments	38	<b>3</b>
Retirement benefits	34	<b>(5)</b>
		<b>P133</b>

### **33. Significant Agreements and Lease Commitments**

#### **Significant Agreements:**

##### **▪ Energy**

##### **a. *Independent Power Producer (IPP) Administration (IPPA) Agreements***

As a result of the biddings conducted by PSALM for the Appointment of the IPP Administrator for the Contracted Capacity of the following power plants, the Group was declared the winning bidder and act as IPP Administrator through the following subsidiaries:

Subsidiary	Power Plant	Location
SMEC	Sual Coal - Fired Power Station (Sual Power Plant)	Sual, Pangasinan Province
SPDC	San Roque Hydroelectric Power Plant (San Roque Power Plant)	San Roque, Pangasinan Province
SPPC	Ilijan Natural Gas - Fired Combined Cycle Power Plant (Ilijan Power Plant)	Ilijan, Batangas City

The IPPA Agreements are with the conformity of National Power Corporation (NPC), a government-owned and controlled corporation created by virtue of Republic Act (RA) No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the Agreement and further confirms that as long as it remains the IPP Counterparty, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

The IPPA Agreements include, among others, the following common salient rights and obligations:

- i. The right and obligation to manage and control the contracted capacity of the power plant for its own account and at its own cost and risks;
- ii. The right to trade, sell or otherwise deal with the capacity (whether pursuant to the spot market, bilateral contracts with third parties or otherwise) and contract for or offer related ancillary services, in all cases for its own account and at its own risk and cost. Such rights shall carry the rights to receive revenues arising from such activities without obligation to account therefore to PSALM or any third party;
- iii. The right to receive a transfer of the power plant upon termination of the Agreement at the end of the corporation period or in case of buy-out;
- iv. For SMEC and SPPC, the right to receive an assignment of NPC's interest to existing short-term bilateral power supply contracts;
- v. The obligation to supply and deliver, at its own cost, fuel required by the IPP and necessary for the Sual Power Plant to generate the electricity required to be produced by the IPP;
- vi. Maintain the performance bond in full force and effect with a qualified bank; and
- vii. The obligation to pay PSALM the monthly payments and generation fees in respect of all electricity generated from the capacity, net of outages.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for fifteen years until October 1, 2024, eighteen years until April 26, 2028 and twelve years until June 26, 2022, respectively.

SMEC, SPDC and SPPC renewed their performance bonds in US dollar amounting to US\$58, US\$20 and US\$60, which will expire on November 3, 2014, January 25, 2014 and June 16, 2014, respectively. Subsequently, the performance bond of SPDC was renewed up to January 25, 2015.

*License granted by the Energy Regulatory Commission (ERC)*

On August 22, 2011, SMELC was granted a Retail Electricity Supplier's (RES) License by the ERC pursuant to Section 29 of the RA No. 9136 or the Electricity Power Industry Reform Act of 2001 (EPIRA) which requires all suppliers of electricity to the contestable market to secure a license from the ERC. The term of the RES License is for a period of five years from the time it was granted and renewable thereafter.

b. *Market Participation Agreements (MPA)*

SMEC, SPDC and SPPC have entered into MPA with the Philippine Electricity Market Corporation (PEMC) to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member.

Under the WESM Rules, the cost of administering and operating the WESM shall be recovered through a charge imposed on all WESM members or transactions, as approved by ERC.

In March 2013, SMELC entered into an MPA for Supplier as Direct WESM Member - Customer Trading Participant Category with the PEMC to satisfy the conditions contained in the Philippine WESM Rules on WESM membership and to set forth the rights and obligations of a WESM member. SMELC has a standby letter of credit, expiring on December 26, 2014, to secure the full and prompt performance of obligations for its transactions as a Direct Member and trading participant in the WESM.

c. *Power Supply Agreements*

SMEC, SPPC and SPI have Power Supply Agreements with various counterparties, including related parties, to sell electricity produced by the power plants. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions of the parties.

Certain customers, like electric cooperatives, are billed based on the time-of-use per kilowatt hour (kWh) while others are billed at capacity-based rate. However, as stipulated in the contracts, each customer has to pay the minimum charge based on the contracted power using the basic energy charge and/or adjustments if customer has not fully taken or failed to consume the contracted power. In 2013, all customers are above their minimum contracted power requirements.

SMEC and SPPC purchases replacement power from WESM and other power generation companies during periods when the power generated from the power plant is not sufficient to meet customers' power requirements.

d. *Coal Supply Agreements*

SMEC and SPI have supply agreements with various coal suppliers for their power plants' coal requirements.

e. *Operations and Maintenance (O&M) Agreements*

In exchange for the O&M services rendered by Petron, SPI pays for all the documented costs and expenses incurred in relation to the operation, maintenance and repair of the power plant.

f. *Retail Supply Agreements*

SMELC have retail supply agreements with related parties to supply or sell electricity purchased from WESM and SMEC. All agreements provide for renewals or extensions subject to mutually agreed terms and conditions of the parties.

The customers are billed based on the capacity charge and associated energy charge. However, as stipulated in the contracts, each customer has to pay the minimum charge based on the contracted power using the capacity charge and associated energy and/or adjustments if customer has not fully taken or failed to consume the contracted power. In 2013, all customers are above their minimum contracted power requirements.

SMELC purchases power from WESM and SMEC to meet customers' power requirements.

g. *Concession Agreement*

SMC Global entered into a 25-year Concession Agreement with ALECO on October 29, 2013. It became effective upon confirmation of the National Electrification Administration on November 7, 2013.

The Concession Agreement include, among others, the following rights and obligations: i) SMC Global shall organize and establish Albay Power and Energy Corp. (APEC), a fully-owned and controlled subsidiary which shall assume all the rights and interests and perform the obligations of SMC Global under the Concession Agreement. The assignment by SMC Global to APEC is effective January 3, 2014; ii) as Concession Fee, APEC shall pay to ALECO: (a) separation pay of ALECO employees in accordance with the Concession Agreement; (b) the amount of P2 every quarter beginning January 1, 2014 for the upkeep of residual ALECO; iii) if the net cash flow of APEC is positive within five years or earlier from the date of signing of the Concession Agreement, 50% of the Net Cash Flow each month shall be deposited in an escrow account until the cumulative nominal sum reaches P4,048; iv) on the 20<sup>th</sup> anniversary of the Concession Agreement, the concession period may be extended by mutual agreement between ALECO and APEC; and v) at the end of the concession period, all assets and system shall be returned by APEC to ALECO in good and usable condition. Additions and improvements to the system shall likewise be transferred to ALECO.

h. *MOA with San Roque Power Corporation (SRPC)*

On December 6, 2012, SPDC entered into a 5-year MOA with SRPC to sell a portion of the capacity of the San Roque Power Plant.

Under the MOA, i) SRPC shall purchase a portion of the capacity sourced from the San Roque Power Plant; ii) SRPC shall pay a settlement amount to SPDC for the capacity; and iii) the MOA may be earlier terminated or extended subject to terms and mutual agreement of the parties.

i. *Coal Operating Contracts (COC)*

Daguma Agro-Minerals, Inc.'s (DAMI) coal property covered by COC No. 126, issued by the Department of Energy (DOE) located in South Cotabato consists of two coal blocks with a total area of two thousand hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about forty-nine million metric tons as of February 16, 2014 based on exploratory drilling and additional in-fill drilling.

Sultan Energy Phils. Corp (SEPC) has a coal property and right over an aggregate area of seven thousand hectares, more or less composed of seven coal blocks located in South Cotabato and Sultan Kudarat. As of February 16, 2014, COC No. 134 has an In-situ coal resources (measured plus indicative coal resources) of about twenty-one million metric tons based on exploratory drilling and confirmatory drilling.

Bonanza Energy Resources, Inc.'s (BERI) COC No. 138, issued by the DOE, is located in Sarangani Province and South Cotabato consisting of eight coal blocks with a total area of eight thousand hectares, more or less, and has an In-situ coal resources (measured plus indicative coal resources) of about nine hundred forty thousand metric tons as of February 16, 2014, based on initial exploratory drilling conducted by BERI's geologists in Sarangani Province. The exploratory drilling to be conducted on four coal blocks of BERI located in South Cotabato is projected to contain thirty million metric tons based on a geological setting and initial exploratory drilling.

#### Status of Operations

In 2008 and 2009, the DOE approved the conversion of the COC for Exploration to COC for Development and Production of DAMI, SEPC and BERI, respectively, effective on the following dates:

Subsidiary	COC No.	Effective Date	Term*
DAMI	126	November 19, 2008	10 years
SEPC	134	February 23, 2009	10 years
BERI	138	May 26, 2009	10 years

*\*The term is followed by another 10-year extension, and thereafter, renewable for a series of 3-year periods not exceeding 12 years under such terms and conditions as may be agreed upon with the DOE.*

In May 2011, DAMI, SEPC and BERI separately wrote a letter to the DOE requesting for a moratorium on suspension of the implementation of the production timetable as specified in the Five-Year Development and Productive Work Progress of COC Nos. 126, 134 and 138 due to the newly enacted Environment Code of South Cotabato. This local ordinance prohibits open pit mining and other related activities, hence, constrained these companies into implementing the production timetable without violating this local ordinance. On April 27, 2012, the DOE granted DAMI, SEPC and BERI's request for a moratorium on their work commitments from the effective dates of their respective COCs when these were converted to Development/Production Phase until December 31, 2012.

On December 27, 2012, DAMI, SEPC and BERI submitted separately their Five-Year Work Program (WP) to the DOE. The DOE, however, imposed certain requirements before it can further process the WP. On August 8, 2013, DAMI, SEPC and BERI resubmitted the Five-Year WP to the DOE with the accompanying documents pursuant to DOE's requirements. As of March 27, 2014, the WP is still pending approval by the DOE.

- **Fuel and Oil**

*Supply Agreement*

Petron has assigned all its rights and obligations to Petron Singapore Trading Pte. Ltd. (as Assignee) to have a term contract to purchase Petron's crude oil requirements from Saudi Arabian American Oil Company (Saudi Aramco), based on the latter's standard Far East selling prices. The contract is for a period of one year from October 28, 2008 to October 27, 2009 with automatic one-year extensions thereafter unless terminated at the option of either party, within sixty days written notice. Outstanding liabilities of Petron for such purchases are included as part of "Accounts payable and accrued expenses" account in the consolidated statement of financial position as of December 31, 2013 (Note 20). The contract is extended until December 31, 2014.

Petron Malaysia has a service level agreement with Concord Energy Ltd. (Concord Energy). Under this agreement, Concord Energy shall act as Petron Malaysia's commercial trader in relation to all spot and term purchase of Crude Oil and all spot and term sale of Low Sulfur Waxy Residue from Port Dickson Refinery.

*Supply Contract with NPC and PSALM*

Petron entered into various fuel supply contracts with NPC and PSALM. Under these contracts, Petron supplies the bunker fuel, diesel fuel oil and engine lubricating oil requirements of selected NPC and PSALM plants, and NPC-supplied IPP plants.

- **Infrastructure**

*Concession Agreements*

- TADHC

The ROP awarded TADHC the Airport Project through a Notice of Award (NOA) issued on May 15, 2009. The Airport Project is proposed to be implemented through a Contract-Add-Operate and Transfer Arrangement, a variant of the Build-Operate-Transfer (BOT) contractual arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations.

On June 22, 2009, TADHC entered into a CA with the ROP, through the Department of Transportation and Communication (DOTC) and Civil Aviation Authority of the Philippines. Based on the CA, TADHC has been granted with the concession of the Airport Project which includes the extension or expansion of the Boracay Airport. Subject to existing law, the CA also grants to TADHC the franchise to operate and maintain the Boracay Airport up to the end of the concession period, which is for a period of twenty-five years, and to collect the fees, rentals and other charges as may be agreed from time to time based on the Parametric Formula as defined in the CA.

After fulfillment of all contractual and legal requirements, the CA became effective on December 7, 2009. The Notice to Commence Implementation (NCI) issued to TADHC by the DOTC was accepted by TADHC on December 18, 2009.

The following are the salient features of the CA:

1. The operations and management of the Boracay Airport shall be transferred to TADHC, provided that the ROP shall retain the operations and control of air traffic services, national security matters, immigration, customs and other governmental functions and the regulatory powers insofar as aviation security, standards and regulations are concerned at the Boracay Airport.
2. As concessionaire, TADHC shall have full responsibility in all aspect of the operation and maintenance of the Boracay Airport and shall collect the regulated and other fees generated from it and from the end users. To guarantee faithful performance of its obligation in respect to the operation and maintenance of the Boracay Airport, TADHC shall post in favor of the ROP, an Operations and Maintenance Performance Security (OMPS) amounting to P25, which must be valid for the entire concession period of 25 years. TADHC has yet to pay the OMPS as of December 31, 2013 since it is payable only after the completion of the construction of the Airport Project.
3. Immediately upon receiving the NCI and provided all conditions precedent in the CA are fulfilled and waived, TADHC shall start all the activities necessary to upgrade and rehabilitate the Boracay Airport into a larger and more technologically advanced aviation facility to allow international airport operations.
4. TADHC shall finance the cost of the Airport Project, while maintaining a debt-to-equity ratio of 70:30, with debt pertaining to third party loans. TADHC's estimated capital commitment to develop the Airport Project amounts to P2,500, including possible advances to the ROP for the right of way up to the amount of P466. Such ratio is complied with as TADHC fully issued its authorized capital stock as a leveraged to the loan obtained from third party.
5. TADHC shall also post a P250 Work Performance Security in favor of the ROP as guarantee for faithful performance by TADHC to develop the Airport Project. This performance security shall be partially released by the ROP from time to time to the extent of the percentage of completion of the Airport Project. TADHC has paid P1 premium both in 2013 and 2012, for the Work Performance Security. The unamortized portion is included as part of "Prepaid expenses and other current assets" account in the consolidated statement of financial position (Note 11).
6. In consideration for allowing TADHC to operate and manage the Boracay Airport, TADHC shall pay the ROP P8 annually. The first payment shall be made immediately upon the turnover by the ROP of the operations and management of the Boracay Airport to TADHC, and every year thereafter until the end of the concession period. The operations and management of the Boracay Airport was turned over to TADHC on October 16, 2010.

The CA may be renewed or extended for another twenty-five years upon written agreement of the parties through the execution of a renewal or extension contract.

In accordance with the license granted by the ROP, as expressly indicated in the CA, TADHC presently operates the Boracay Airport. TADHC completed the rehabilitation of the existing airport terminal building and facilities on June 25, 2011. Also, various pre-construction work is currently being done for the new terminal and extension of the runway, such as project design, clearing, acquisition of the right of way and hill shaving.

○ ULC

In 2008, the ROP awarded ULC the financing, design, construction, supply, completion, testing, commissioning and operation and maintenance of the MRT 7 Project through a NOA issued on January 31, 2008. The MRT 7 Project is proposed to be an integrated transportation system, under a Build-Gradual Transfer-Operate, Maintain and Manage scheme which is a modified Build-Transfer-Operate (BTO) arrangement under RA No. 6957, as amended by RA No. 7718, otherwise known as the BOT Law, and its Revised Implementing Rules and Regulations, to address the transportation needs of passengers and to alleviate traffic in Metro Manila, particularly traffic going to and coming from North Luzon.

On June 18, 2008, ULC entered into a CA (MRT 7 Agreement) with the ROP, through the DOTC, for a 25-year concession period, subject to extensions as may be provided for under the CA and by law. Based on the CA, ULC has been granted the right to finance, construct and operate and maintain the proposed MRT 7 Project, which consists of 44-kilometer of road and rail transportation from the Bocaue exit on the North Luzon Expressway to LRT 1 and Metro Rail Transit 3 at North Avenue - Epifanio delos Santos Avenue.

The following are the salient features of the CA:

1. The MRT 7 Project cost shall be financed by ULC through debt and equity at a ratio of approximately 75:25 and in accordance with existing BSP regulations on foreign financing components, if any. Based on the CA, ULC's estimated capital commitment to develop the MRT 7 Project amounts to US\$1,235.60, adjusted to 2008 prices at US\$1,540 per National Economic and Development Authority Board approval of June 2013. ULC shall endeavor to have signed the financing agreements not later than 18 months from the signing of the CA.
2. ULC shall post a Performance Security for Construction and O&M in favor of the ROP as guarantee for faithful performance by ULC to develop the MRT 7 Project. This performance security for O&M shall be reduced every year of the concession period to the amounts as specified in the CA.
3. In the event that the MRT 7 Project is not completed by the end of the grace period, which is 100 calendar days following the project completion target as defined in the CA, ULC shall pay the ROP liquidated damages of US\$0.1 for every calendar day of delay.
4. As payment for the gradual transfer of the ownership of the assets of the MRT 7 Project, the ROP shall pay ULC a fixed amortization payment on a semi-annual basis in accordance with the schedule of payment described in the CA. The ROP's amortization payment to ULC shall start when the MRT 7 Project is substantially completed.

5. Net passenger revenue shall be shared by the ROP and ULC on a 30:70 basis.
6. All rail-based revenues above 11.90% internal rate of return of ULC for the MRT 7 Project over the cooperation period, which means the period covering the construction and concession period, shall be shared equally by ULC and the ROP at the end of the concession period. All rail-based revenues above 14% internal rate of return shall wholly accrue to the ROP.
7. The ROP grants ULC the exclusive and irrevocable commercial development rights (including the right to lease or sublease or assign interests in, and to collect and receive any and all income from, but not limited to, advertising, installation of cables, telephone lines, fiber optics or water mains, water lines and other business or commercial ventures or activities over all areas and aspects of the MRT 7 Project with commercial development potentials) from the effectivity date of the CA until the end of the concession period, which can be extended for another twenty-five years, subject to the ROP's approval. In consideration of the development rights granted, ULC or its assignee shall pay the ROP 20% of the net income before tax actually realized from the exercise of the development rights.

#### *Toll Concession Agreements*

##### ○ TPLEX Project

PIDC entered into a concession agreement (the Agreement) with the ROP through the DPWH and TRB to finance, design, construct, operate and maintain the TPLEX Project. The TPLEX Project is a toll expressway from La Paz, Tarlac to Rosario, La Union which is approximately 88.58 kilometers. The two-lane expressway will have nine toll plazas from start to end. Under the Agreement, PIDC will:

- a) finance, design and construct the TPLEX Project;
- b) undertake the operations and maintenance of the TPLEX Project;
- c) obtain financing on a limited recourse project finance basis; and
- d) impose and collect tolls from the users of the TPLEX Project.

The initial toll rate was submitted by PIDC as part of its bid and was duly confirmed by the DPWH and incorporated as part of the Agreement. Toll rate shall be collected using the close-system which may be changed into an open-system whenever there is a new interchange required to be built as per Agreement.

The toll revenue collected from the operation of the TPLEX Project is the property of PIDC. PIDC shall have the right to assign or to enter into such agreements with regard to the toll revenue and its collection, custody, security and safekeeping.

In the event that PIDC is disallowed from charging and collecting the authorized amounts of the toll rates as prescribed in the Agreement from the users of the TPLEX Project, PIDC shall be entitled to compensation on a monthly basis based on actual traffic volume for the month, the resulting loss of revenue which would have been collected had said adjustment been implemented.

The construction period shall be for a term of 54 consecutive calendar months counted from the effectivity of the Notice to Proceed to Construct, unless mutually extended by the both parties.

The TPLEX Project shall be owned by the ROP without prejudice to the rights and entitlement of PIDC. The legal transfer of ownership of the TPLEX Project shall be deemed to occur automatically on a continuous basis in accordance with the progress of construction and upon issuance of the Certificate of Substantial Completion for each Section of the TPLEX Project.

o STAR Project

In May and June 1996, the ROP, through the DPWH, issued an invitation to pre-qualify for the STAR Project, pursuant to the “Build-Transfer-Operate” variant under RA No. 6957, as amended by RA No. 7718.

On July 18, 1998, SIDC and the ROP, individually and collectively, acting by and through the DPWH and the TRB, entered into a CA covering the STAR Project.

Under the CA, the activities are defined related to the following components of the STAR Project:

1. The preliminary and final engineering design, financing and construction of Stage II of the STAR Project.
2. The design and construction of all ancillary toll road facilities, toll plazas, interchanges and related access facilities of Stage I of the STAR Project, a ROP-constructed toll road, and for Stage II of the STAR Project road to be constructed by SIDC.
3. The operation and maintenance of the STAR Project as toll road facilities within the concession period of thirty years from January 1, 2000 up to December 31, 2029.

However, based on the CA amendatory agreement dated December 2006, the concession period is extended for an additional six years, to compensate for the delay in the commencement of the construction of the Stage II of the STAR Project, Phase I toll road. Accordingly, the concession period shall be deemed to end on December 31, 2035.

4. The financing of the STAR Project through equity and debt instruments until its full satisfaction and for the operation and maintenance of the toll road and its facilities within the concession period.

Also pursuant to the CA, the STAR Project and any stage or phase or ancillary facilities thereof of a fixed and permanent nature shall be owned by the ROP, without prejudice to the rights and entitlements of SIDC. The legal transfer of ownership of the STAR Project and/or any stage, phase or ancillary thereof shall be deemed to occur automatically on a continuous basis in accordance with the progress of the construction and upon the ROP’s issuance of the Certificate of Substantial Completion. The right-of-way shall be titled in the ROP’s name regardless of the construction thereon.

- NAIA Expressway Project

On July 8, 2013, Vertex entered into a CA with the ROP, through DPWH, for a 30-year concession period subject to extensions, as may be provided for under the CA. Based on the CA, Vertex has been granted the right to finance, construct, and operate and maintain the NAIA Expressway Project, which consists of a 4-lane, 7.75 kilometer (km) elevated expressway and 2.22 km at-grade feeder road that will provide access to NAIA Terminals 1, 2 and 3, and link the Skyway and the Manila-Cavite Toll Expressway.

The following are the salient features of the CA:

1. Vertex shall at all times during the concession period maintain a Leverage Ratio not exceeding eighty percent.
2. Vertex shall post a Performance Security for Construction and O&M in favor of the ROP as guarantee for faithful performance to develop the NAIA Expressway Project. The Performance Security for Construction shall be reduced on the date of expiry of the At-Grade Works and Phase II(a) Defects Liability Period to the amounts as specified in the CA.
3. Throughout the construction period, the DPWH and the TRB shall be allowed to monitor, inspect and check progress and quality of the activities and works undertaken by Vertex to ensure compliance with the CA's Minimum Performance Standards and Specifications, Certified Detailed Design Engineering (DED) or At-Grade Works DED. Vertex shall directly pay for the cost of the Project Overhead Expenses incurred by the DPWH or the TRB until the end of the construction period. The liability of Vertex for the Project Overhead Expenses due to the TRB and DPWH shall not exceed P25 and P50, respectively.
4. If by the Completion Deadline, the Independent Consultant has not issued written notice that all conditions in the CA in relation to the At-Grade Works, Phase II(a) and Phase II(b) have been fulfilled, Vertex shall be liable to the DPWH for the payment of liquidated damages in the amount of P0.15, P1.5 and P2 for every day of delay beyond the At-Grade Works, Phase II(a) and Phase II(b) Construction Completion Deadline, respectively.
5. The Toll revenues collected from the operations of the NAIA Expressway Project are the property of Vertex. Vertex has the right to assign or to enter into such agreements with regard to the Toll revenues and their collection, custody, security and safekeeping.
6. The equity structure of Vertex shall comply with the equity requirements set out in the CA. During the Lock-up Period, which is from the signing date until the end of the third year of the Operation Period, Vertex shall not register or otherwise permit any transfer of its Equity or any rights in relation to its Equity except: (a) if after the transfer, (i) the Qualifying Initial Stockholders continue to meet its Equity Requirement; (ii) the Initial Shareholders collectively continue to meet its Equity Requirements, and in each case any new shareholder is approved by the DPWH such consent not to be unreasonably withheld; (b) with the DPWH's prior written consent; (c) by way of the grant of a Permitted Security Interest or the exercise of rights under a Permitted Security Interest; or such transfer is necessary to comply with any applicable foreign ownership restrictions and the transferee and the terms of the transfer are both approved by the DPWH.

▪ **Telecommunications**

*Franchise with National Telecommunications Commission (NTC)*

○ BellTel

In 1994, the Philippine Congress passed RA No. 7692 which granted a franchise to BellTel to install, operate and maintain telecommunications systems throughout the Philippines and for other purposes.

On October 28, 1997, the NTC, under NTC Case No. 94-229, granted a Provisional Authority (PA) to BellTel, valid for eighteen months, or until April 27, 1999, to install, operate and maintain the following telecommunication services, to wit:

- international gateway facility;
- inter-exchange carrier facility;
- VSAT system nationwide;
- telephone systems in the selected cities and municipalities in the Luzon area;
- WLL telephone systems in the cities of Muntinlupa, Las Piñas, Pasig, Mandaluyong, Makati, Pasay, Parañaque, Taguig and Marikina; and in the municipalities of Pateros and San Juan; and
- telephone systems in all economic zones identified under RA No. 7916.

Since then, this PA had been extended several times, the latest extension of which is valid until March 5, 2015.

In an Order dated October 19, 2007 (CCC Case No. 94-223), the NTC granted BellTel a PA, valid for 18 months or until April 19, 2009, to install, operate and maintain a Mobile Telecommunication Network as set forth in the said Order. Since then, this PA had been extended, the latest extension of which is valid until April 17, 2015.

○ ETPI

On October 3, 2002, RA No. 9172 entitled “An Act Renewing and Amending the Franchise Granted to ETPI (Eastern Extension Australasia and China Telegraph Company Limited) under RA No. 808, as Amended” extended for another twenty-five years ETPI’s legislative franchise to construct, install, establish, operate and maintain for commercial purposes and in the public interest, throughout the Philippines and between the Philippines and other countries and territories, the following telecommunications services:

- wire and/or wireless telecommunications systems, including but not limited to mobile, cellular, paging, fiber optic, multi-channel distribution system, local multi-point distribution system, satellite transmit and receive systems, switches, and their value-added services such as, but not limited to, transmission of voice, data, facsimile, control signs, audio and video, information services bureau and all other telecommunications systems technologies as are at present available or will be made available through technological advances or innovations in the future; and

- construct, acquire, lease and operate or manage transmitting and receiving stations, lines, cables or systems, as is, or are, convenient or essential to efficiently carry out the purpose of the franchise.

○ TTPI

TTPI has an approved congressional franchise granted under RA No. 7671, as amended by RA No. 7674, to install, operate and maintain telecommunications systems throughout the Philippines.

On September 25, 1996, the NTC granted TTPI a PA to install, operate and maintain Local Exchange Carrier services in the provinces of Batanes, Cagayan, Isabela, Kalinga, Apayao, Nueva Vizcaya, Ifugao and Quirino and the cities of Manila and Caloocan as well as the municipality of Navotas in order to commence compliance with the requirements of Executive Order (EO) No. 109 (s. 1993), which required ETPI to put up a minimum of 300,000 Local Exchange Carrier lines. TTPI is allowed to deploy Public Calling Offices in municipalities and barangays within its authorized service area in lieu of rolling out Local Exchange Carrier lines.

On January 18, 2006, the NTC granted TTPI a Certificate of Public Convenience and Necessity (CPCN) to install, operate and maintain Local Exchange Carrier services in the cities of Manila and Caloocan, as well as in the provinces of Cagayan and Isabela. In addition, in a letter dated August 14, 2006, the NTC confirmed that TTPI has already completely served the remaining areas it needs to serve under the PA of September 25, 1996. On January 8, 2010, TTPI was granted a CPCN to install, operate and maintain Local Exchange Carrier services in the municipality of Navotas and the provinces of Cagayan, Isabela, Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

On September 25, 1996, October 16, 2006 and December 23, 2008, NTC issued separate PAs in favor of TTPI to install, operate and maintain Local Exchange Carrier services in the remaining cities and municipalities of Metro Manila, in the provinces of Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) and in the provinces of Apayao, Batanes, Ifugao, Kalinga, Nueva Vizcaya and Quirino.

▪ **Mining**

*MPSA*

○ PNPI, PPC and PIC

On May 2, 1997, PNPI executed a Deed of Assignment with PIC and PPC, whereby PPC assigned to PNPI all its rights and obligations under MPSA No. 072-97-XIII (SMR) with the Government of the Philippines acting through DENR.

The MPSA provides for the exploration, development and commercial utilization of nickel, cobalt, chrome, iron, and other deposits existing within the contract area of 25,000 hectares in Parcels II and III of the Surigao Mineral Reservation in the Province of Surigao del Norte and Dinagat Islands. The term of the MPSA is for a period of twenty-five years until 2022.

As part of the consideration for the assignment of the MPSA, PNPI assigned to PPC the exclusive Mineral Processing Rights (MPR) granted under the MPSA. The assignment of the MPSA by PIC to PNPI and the assignment of the MPR by PNPI to PPC were approved by the DENR on August 7, 1997. The assignment of the MPSA was subject to the following conditions:

- a. PNPI shall enter into an exclusive twenty-five year ore supply contract with PPC, to provide PPC with its nickel ore requirements;
- b. The MPSA shall be deemed automatically assigned to PPC in the event that PIC shall be in default under the ARDA and the ARDA is terminated in accordance with its terms;
- c. PNPI shall be jointly and severally liable for the payments due to the PMO under the ARDA and all profits earned by PNPI will be used to pay PIC's obligations to PMO under the ARDA as and when necessary; and
- d. All of the outstanding capital stock of PNPI shall be pledged to PMO as security for the obligations of PNPI to PMO as well as the obligations of PIC to PMO under the ARDA.

In 1999, the ROP (Donor) and the City of Surigao (Donee) executed a Deed of Donation wherein a 106.473-hectare area in Nonoc Island, Surigao City, Surigao City del Norte was donated to the Surigao City Government for the purpose of establishing a Special Economic Zone to be developed and operated by PIC.

In 2003, PNPI agreed to relinquish the area covering approximately 1,016.9113 hectares for conversion to alienable and disposable areas in favor of the Municipality of Cagdianao, Surigao del Norte.

Also in 2003, PIC filed a case with the Regional Trial Court of Makati (Court) for suspension of payments, to stop PMO from enforcing the provision under the ARDA providing for automatic reversion of PPC shares to PMO and for the court to fix a period of payment. The Court granted PIC's application and issued a Writ of Preliminary Injunction to enjoin PMO from enforcing the said automatic reversion of clause while the case is pending. The issues on whether the Writ of Injunction should be lifted and the validity of the said clause were appealed and are now pending before the Supreme Court. As of December 31, 2013, the cases are still on-going and pending resolution.

PIC, together with its related companies, has put in an equity of approximately US\$60,000 as of December 31, 2002 for capital expenditures, mine development, maintenance of the plant, securing government approvals on various mining activities, settlement of creditors and separation pay of employees, among others.

○ SWCC

SWCC has mining rights under MPSA Nos. 059-96-VII and 060-96-VII issued by the DENR on November 18, 1996. The MPSAs cover a total area of 812.2529 hectares located in Lo-oc, Malabuyoc, Cebu. The term of the MPSA is for a period of twenty-five years until 2021.

- VMI

VMI has mining rights under MPSA No. 346-2010-IVA issued by the DENR on June 25, 2010. The MPSA covers a total area of 11,126.3576 hectares located in Tagkawayan, Quezon, Labo and Sta. Elena, Camarines Norte. The term of the MPSA is for a period of twenty-five years until 2035.

*Joint Operating Agreement*

On June 21, 2007, PPC and PNPI executed a Deed of Assignment to assign the rights and obligations of the Joint Operating Agreement entered by PMDC and PPC to PNPI. The assignment was approved by the PMDC on January 11, 2008.

*Mines Operating Agreement*

On July 27, 2009, DENR approved the Mines Operating Agreement between PNPI and Shuley Mines, Incorporated (SMI) pursuant to which SMI will undertake mining operations in certain portions of the mining property. In consideration, SMI will pay PNPI a fixed fee per WMT based on the grade of the nickel ore as stated in the Mines Operating Agreement. The Mines Operating Agreement is effective for a period of forty-eight (48) months subject to renewal for the same period upon mutual agreement of both parties.

Under the supplemental agreement to the Mines Operating Agreement dated September 29, 2009, the effectivity of the Mines Operating Agreement will start on the date of approval of the partial declaration of the Mining Project Feasibility by MGB. On April 8, 2010, the MGB approved the Second Partial Declaration of PNPI's mining project.

In April 2013, SMI filed an injunction case with the RTC of Surigao City against PNPI so that SMI could continue its mining operations under the Mines Operating Agreement.

**Lease Commitments:**

- Finance Leases

*Group as Lessee*

- a. IPPA Agreements

The IPPA Agreements are with the conformity of NPC, a government-owned and controlled corporation created by virtue of RA No. 6395, as amended, whereby NPC confirms, acknowledges, approves and agrees to the terms of the Agreement and further confirms that for as long as it remains the IPP Counterparty, it will comply with its obligations and exercise its rights and remedies under the original agreement with the IPP at the request and instruction of PSALM.

Relative to the IPPA Agreements, SMEC, SPDC and SPPC have to pay PSALM monthly fees for fifteen years until October 1, 2024, eighteen years until April 26, 2028 and twelve years until June 26, 2022, respectively.

The IPPA Agreements provide the Group with a right to receive a transfer of the power station in case of buy-out or termination.

In accounting for the Group's IPPA Agreements with PSALM, the Group's management has made a judgment that the IPPA Agreement is an agreement that contains a finance lease. The Group's management has also made a judgment that it has substantially acquired all the risks and rewards incidental to the ownership of the power plants. Accordingly, the carrying amount of the Group's capitalized asset and related liability of P193,319 and P195,003, respectively, as of December 31, 2013 (equivalent to the present value of the minimum lease payments using the Group's incremental borrowing rates for US dollar and Philippine peso payments) are presented as part of "Property, plant and equipment" and "Finance lease liabilities" in the consolidated statement of financial position as of December 31, 2013 (Notes 4 and 14).

The Group's incremental borrowing rates are as follows:

	US Dollar	Philippine Peso
SMEC	3.89%	8.16%
SPPC	3.85%	8.05%
SPDC	3.30%	7.90%

The discount determined at inception of the agreement is amortized over the period of the IPPA Agreement and recognized as part of "Interest expense and other financing charges" account in the consolidated statement of income. Interest expense amounted to P2,752 in 2013 (Note 29).

The future minimum lease payments for each of the following periods are as follows:

## 2013

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$218	P9,679	P10,438	P20,117
More than one year and not later than five years	997	44,284	47,766	92,050
Later than five years	1,682	74,666	80,589	155,255
	2,897	128,629	138,793	267,422
Less: Future finance charges on finance lease liabilities	547	24,282	48,137	72,419
Present values of finance lease liabilities	US\$2,350	P104,347	P90,656	P195,003

The present values of minimum lease payments for each of the following periods are as follows:

## 2013

	Dollar Payments	Peso Equivalent of Dollar Payments	Peso Payments	Total
Not later than one year	US\$185	P8,221	P7,410	P15,631
More than one year and not later than five years	771	34,230	27,918	62,148
Later than five years	1,394	61,896	55,328	117,224
	US\$2,350	P104,347	P90,656	P195,003

b. Machinery and Equipment

The Group's finance leases cover motor vehicles, machinery and equipment needed for business operations. The agreements do not allow subleasing. The net carrying amount of the leased equipment was P37 as of December 31, 2013 (Notes 4 and 14).

The Group's share in the minimum lease payments for these finance lease liabilities are as follows:

**2013**

	<b>Minimum Lease Payable</b>	<b>Interest</b>	<b>Principal</b>
Within one year	<b>P27</b>	<b>P4</b>	<b>P23</b>
After one year but not more than two years	<b>22</b>	<b>-</b>	<b>22</b>
	<b>P49</b>	<b>P4</b>	<b>P45</b>

▪ Operating Leases

*Group as Lessor*

The Group has entered into lease agreements on its investment property portfolio, consisting of surplus office spaces (Note 15). The non-cancellable leases have remaining terms of between three to fourteen years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

The future minimum lease receipts under non-cancellable operating leases are as follows:

	<b>2013</b>
Within one year	<b>P322</b>
After one year but not more than five years	<b>544</b>
After five years	<b>43</b>
	<b>P909</b>

Rent income recognized in the consolidated statement of income amounted to P450 in 2013 (Note 4).

*Group as Lessee*

The Group leases a number of office, warehouse and factory facilities under operating leases. The leases typically run for a period of one to sixteen years. Some leases provide an option to renew the lease at the end of the lease term and are being subjected to reviews to reflect current market rentals.

Non-cancellable operating lease rentals are payable as follows:

	<b>2013</b>
Within one year	<b>P1,684</b>
After one year but not more than five years	<b>4,052</b>
More than five years	<b>9,357</b>
	<b>P15,093</b>

Rent expense recognized in the consolidated statement of income amounted to P830 in 2013 (Notes 4, 25 and 26).

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### **34. Retirement Plans**

Majority of the Parent Company's subsidiaries have funded, noncontributory, defined benefit retirement plans covering all of their permanent employees (collectively, the Retirement Plans). The Retirement Plans of the Parent Company's subsidiaries pay out benefits based on final pay. Contributions and costs are determined in accordance with the actuarial studies made for the Retirement Plans. Annual cost is determined using the projected unit credit method. Majority of the Group's latest actuarial valuation date is December 31, 2013. Valuations are obtained on a periodic basis.

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

The following table shows a reconciliation of the net defined benefit retirement obligation and its components as of and for the year ended December 31, 2013:

	Fair Value of Plan Assets	Present Value of Defined Benefit Retirement Obligation	Effect of Asset Ceiling	Net Defined Benefit Retirement Liability
<b>Benefit asset (benefit obligation) of newly acquired subsidiaries</b>	<b>P26,316</b>	<b>(P25,266)</b>	<b>(P6,086)</b>	<b>(P5,036)</b>
<b>Recognized in profit or loss</b>				
Service costs	-	(466)	-	(466)
Interest expense	-	(467)	-	(467)
Interest income	310	-	-	310
Interest on the effect of asset ceiling	-	-	99	99
	<b>310</b>	<b>(933)</b>	<b>99</b>	<b>(524)</b>
<b>Recognized in other comprehensive income</b>				
Remeasurements:				
Actuarial (gains) losses arising from:				
Experience adjustments	-	(144)	-	(144)
Changes in financial assumptions	-	(160)	-	(160)
Changes in demographic assumptions	-	16	-	16
Changes in the effect of asset ceiling	-	-	1,936	1,936
	-	(288)	1,936	1,648
<b>Others</b>				
Contributions	477	-	-	477
Benefits paid	(468)	468	-	-
Transfers from other plans	(20)	20	-	-
Transfers to other plans	20	(20)	-	-
Other adjustments	2,600	-	-	2,600
	<b>2,609</b>	<b>468</b>	<b>-</b>	<b>3,077</b>
<b>Balance at end of year</b>	<b>P29,235</b>	<b>(P26,019)</b>	<b>(P4,051)</b>	<b>(P835)</b>

The Group's annual contribution to the Retirement Plans consists of payments covering the current service cost plus amortization of Unfunded Past Service Liability.

Retirement costs recognized in the consolidated statement of income by the Group amounted to P524 in 2013 (Note 28).

In 2013, net retirement assets and liabilities, included as part of "Other noncurrent assets" account, amounted to P6,737 (Note 18) and under "Accounts payable and accrued expenses" and "Other noncurrent liabilities" accounts, amounted to P100 and P7,472, respectively (Notes 20 and 22).

The carrying amounts of the Group's retirement fund approximate fair values as of December 31, 2013.

The Group's plan assets consist of the following:

	In Percentages
	<b>2013</b>
Marketable securities and shares of stock	<b>74.54</b>
Investments in pooled funds:	
Fixed income portfolio	<b>5.69</b>
Stock trading portfolio	<b>3.58</b>
Investment in real estate	<b>0.38</b>
Others	<b>15.81</b>

*Investments in Marketable Securities*

As of December 31, 2013, the plan assets include:

- 19,203,227 common shares, 4,046,420 Series "2", Subseries "2-A" and 32,536,970 Series "2", Subseries "2-B" preferred shares of SMC with fair market value per share of P62.50, P76.15 and P76.30, respectively;
- 1,492,681,097 common shares and 2,945,000 preferred shares of Petron with fair market value per share of P13.96 and P109.00, respectively;
- 18,959,785 common shares of GSMI with fair market value per share of P23.00;
- 226,998 common shares and 54,835 preferred shares of SMPFC with fair market value per share of P238.00 and P1,045.00, respectively; and
- 33,635,700 common shares of SMB with fair market value per share of P20.00.

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

The Group's Retirement Plans recognized gains on the investment in marketable securities of SMC and its subsidiaries amounting to P4,426 in 2013.

Dividend income from the investment in shares of stock of SMC and its subsidiaries amounted to P713 in 2013.

*Investments in Shares of Stock*

Investment in shares of stock includes the investment of the Retirement Plans in the common shares of BOC and PAHL, accounted for under the equity method.

a. BOC

San Miguel Corporation Retirement Plan (SMCRP) has 39.94% equity interest in BOC amounting to P8,870 as of December 31, 2013, representing 44,834,286 common shares, accounted for under the equity method.

The Retirement Plan recognized its share in accumulated equity in net losses amounting to P630 in 2013.

b. PAHL

Petron Corporation Employees Retirement Plan (PCERP) has an investment in PAHL with a carrying amount of P1,660 as of December 31, 2013, equivalent to 54.1% equity interest, representing 273,000,000 Class A shares and 102,142,858 Class B shares.

The Retirement Plan recognized its share in accumulated equity in net earnings amounting to P61 in 2013.

c. BPI

As of December 31, 2013, the Group's plan assets also include investment in BPI representing 2,386,994 preferred shares.

Investments in Pooled Funds

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

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

Approximately 15% of the Retirement Plan's investments in pooled funds in stock trading portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2013.

Approximately 57% of the Retirement Plan's investments in pooled funds in fixed income portfolio include investments in shares of stock of SMC and its subsidiaries as of December 31, 2013.

Investment in Real Estate

As of December 31, 2013, the Group Retirement Plans have investments in real estate properties.

Others

Others include the Group Retirement Plans' investment in trust account, government securities, bonds and notes, cash and cash equivalents and receivables which earn interest. Investment in trust account represents funds entrusted to a financial institution for the purpose of maximizing the yield on investible funds.

The Board of Trustees reviews the level of funding required for the retirement fund. Such a review includes the asset-liability matching (ALM) strategy and investment risk management policy. The Group's ALM objective is to match maturities of the plan assets to the retirement benefit obligation as they fall due. The Group monitors how the duration and expected yield of the investments are matching the expected cash outflows arising from the retirement benefit obligation. The Group is expected to contribute the amount of P1,686 to its defined benefit retirement plan in 2014.

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

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

*Longevity and Salary Risks.* The present value of the defined benefit obligation is calculated by reference to the best estimate of the mortality of the plan participants both during and after their employment and to their future salaries. Consequently, increases in the life expectancy and salary of the plan participants will result in an increase in the plan obligation.

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

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

	<u>In Percentages</u>
	<b>2013</b>
Discount rate	<b>3.4 - 6.8</b>
Salary increase rate	<b>4.0 - 8.0</b>

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

The weighted average duration of defined benefit obligation ranges from 1.5 to 28.18 years as of December 31, 2013.

As of December 31, 2013, the reasonably possible changes to one of the relevant actuarial assumptions, while holding all other assumptions constant, would have affected the defined benefit obligation by the amounts below.

	<u>Defined Benefit Retirement Obligation</u>	
	1 Percent Increase	1 Percent Decrease
Discount rate	(P1,215)	P1,395
Salary increase rate	1,251	(1,117)

The outstanding balances of the Group's receivables from the retirement plans are as follows:

- a. Petron's advances to PCERP amounting to P16,393 as of December 31, 2013 is included as part of "Trade and other receivables" and "Other noncurrent assets" accounts in the consolidated statement of financial position (Notes 9 and 18). The advances are subject to interest of 5% in 2013.

- b. SMC has advances to SMCRP amounting to P6,208 as of December 31, 2013, included as part of "Trade and other receivables" account in the consolidated statement of financial position (Note 9). The advances are subject to interest of 5.75% in 2013.

Transactions with retirement plans are made at normal market prices and terms. Outstanding balances as of December 31, 2013 are unsecured and settlements are made in cash. There have been no guarantees provided for any retirement plan receivables. The Group has not made any provision for impairment losses relating to the receivables from retirement plans for the year ended December 31, 2013.

### 35. Cash Dividends

The Parent Company's BOD approved the declaration and payment of the following cash dividends to preferred stockholders as follows:

#### For the Year Ended December 31, 2013

Date of Approval	Date of Record	Amount	Dividend Per Share
February 13, 2013	February 13, 2013	<b>P266</b>	<b>P139.50</b>

#### For the Year Ended December 31, 2012

Date of Approval	Date of Record	Amount	Dividend Per Share
February 28, 2012	February 28, 2012	P362	P139.50
June 14, 2012	June 14, 2012	966	139.50
September 7, 2012	September 7, 2012	266	139.50
November 12, 2012	November 12, 2012	266	139.50
		<b>P1,860</b>	

#### For the Year Ended December 31, 2011

Date of Approval	Date of Record	Amount	Dividend Per Share
February 2, 2011	February 2, 2011	P362	P139.50
April 12, 2011	April 12, 2011	362	139.50
December 15, 2011	December 15, 2011	363	139.50
		<b>P1,087</b>	

### 36. Basic/Diluted Earnings (Loss) Per Share

Basic/diluted earnings (loss) per share is computed as follows:

	<i>Note</i>	<b>2013</b>	2012	2011
Income (loss) attributable to equity holders of the Parent Company		<b>P10,437</b>	(P12,433)	(P11,137)
Dividends on preferred shares for the year	35	<b>(847)</b>	(1,243)	(1,450)
Net income (loss) attributable to common shareholders of the Parent Company (a)		<b>P9,590</b>	(P13,676)	(P12,587)
Weighted average number of common shares outstanding (in millions)		<b>5</b>	5	5
Stock split approved in 2013 including retroactive adjustments (in millions)		<b>485</b>	485	485
Weighted average number of treasury shares (in millions)		<b>(26)</b>	-	-
Weighted average number of common shares outstanding (in millions) (b)	24	<b>464</b>	490	490
Basic/diluted earnings (loss) per common share attributable to equity holders of the Parent Company (a/b)		<b>P20.67</b>	(P27.91)	(P25.69)

As of December 31, 2013, 2012 and 2011, the Group has no dilutive debt or equity instruments.

### 37. Supplemental Cash Flow Information

Supplemental information with respect to the statements of cash flows is presented below:

- a. Changes in noncash current assets, certain current liabilities and others are as follows (amounts reflect actual cash flows rather than increases or decreases of the accounts in the statements of financial position):

	<b>2013</b>	2012	2011
Trade and other receivables - net	<b>(P4,720)</b>	P -	P -
Inventories	<b>9,487</b>	-	-
Prepaid expenses and other current assets	<b>(2,168)</b>	(1)	(1)
Loans payable	<b>434</b>	-	-
Accounts payable and accrued expenses	<b>8,629</b>	66	1
Income and other taxes payable and others	<b>5,167</b>	-	-
	<b>P16,829</b>	P65	P -

b. Business combinations (Note 5)

	<i>Note</i>	<b>2013</b>
Cash and cash equivalents		<b>P180,319</b>
Trade and other receivables - net		<b>137,205</b>
Inventories		<b>89,314</b>
Prepaid expenses and other current assets		<b>36,783</b>
Assets held for sale		<b>50,943</b>
Investments and advances - net		<b>43,472</b>
Available-for-sale financial assets		<b>42,079</b>
Property, plant and equipment - net		<b>413,785</b>
Investment property - net		<b>4,161</b>
Other intangible assets - net		<b>49,341</b>
Biological assets		<b>5,745</b>
Deferred tax assets		<b>15,578</b>
Other noncurrent assets - net		<b>45,289</b>
Loans payable		<b>(155,313)</b>
Accounts payable and accrued expenses		<b>(110,069)</b>
Income and other taxes payable		<b>(10,624)</b>
Dividends payable		<b>(1,880)</b>
Long-term debt - net of debt issue costs		<b>(301,608)</b>
Deferred tax liabilities		<b>(13,155)</b>
Finance lease liabilities		<b>(195,169)</b>
Other noncurrent liabilities		<b>(24,396)</b>
Non-controlling interests		<b>(235,967)</b>
Net assets		<b>65,833</b>
Cash and cash equivalents		<b>(180,319)</b>
Goodwill in subsidiaries	<i>4, 17</i>	<b>91,129</b>
Investments and advances		<b>(154,781)</b>
Net cash flows		<b>(P178,138)</b>

### 38. Share-Based Transactions

#### ESPP

Under the ESPP, all permanent Philippine-based employees of SMC and its subsidiaries who have been employed for a continuous period of one year prior to the subscription period will be allowed to subscribe at 15% discount to the market price equal to the weighted average of the daily closing prices for three months prior to the offer period. A participating employee may acquire at least 100 shares of stock through payroll deductions.

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

The ESPP also allows subsequent withdrawal and cancellation of participants' subscriptions under certain terms and conditions.

### LTIP

SMC also maintains LTIP for the executives of the Group. The options are exercisable at the fair market value of SMC shares as of date of grant, with adjustments depending on the average stock prices of the prior three months. The LTIP is administered by the Executive Compensation Committee of SMC's BOD.

The stock options granted under the LTIP cannot be assigned or transferred by a participant and are subject to a vesting schedule. After one complete year from the date of the grant, 33% of the stock option becomes vested. Another 33% is vested on the second year and the remaining option lot is fully vested on the third year.

Vested stock options may be exercised at any time, up to a maximum of eight years from the date of grant. All unexercised stock options after this period are considered forfeited.

Share-based payment charged to operations, included under "Administrative expenses - personnel expenses" account, amounted to P10 in 2013 (Note 26).

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## **39. Financial Risk and Capital Management Objectives and Policies**

### Objectives and Policies

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

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

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

The Group's principal non-trade related financial instruments include cash and cash equivalents, option deposit, AFS financial assets, financial assets at FVPL, restricted cash, short-term and long-term loans, and derivative instruments. These financial instruments, except financial assets at FVPL and derivative instruments, are used mainly for working capital management purposes. The Group's trade-related financial assets and financial liabilities such as trade and other receivables, noncurrent receivables and deposits, accounts payable and accrued expenses, finance lease liabilities and other noncurrent liabilities arise directly from and are used to facilitate its daily operations.

The Group's outstanding derivative instruments such as commodity and currency options, forwards and swaps are intended mainly for risk management purposes. The Group uses derivatives to manage its exposures to foreign currency, interest rate and commodity price risks arising from the Group's operating and financing activities.

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

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

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

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

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

#### Interest Rate Risk

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

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

On the other hand, the Group's investment policy is to maintain an adequate yield to match or reduce the net interest cost from its borrowings pending the deployment of funds to their intended use in the Group's operations and working capital management. However, the Group invests only in high-quality securities while maintaining the necessary diversification to avoid concentration risk.

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

The management of interest rate risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various standard and non-standard interest rate scenarios. Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in interest income or interest expense as well as fair value changes reported in profit or loss, if any;
- fair value reserves arising from increases or decreases in fair values of AFS financial assets reported as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in fair values of hedging instruments designated in qualifying cash flow hedge relationships reported as part of other comprehensive income.

The sensitivity to a reasonably possible 1% increase in the interest rates, with all other variables held constant, would have decreased the Group's profit before tax (through the impact on floating rate borrowings) by P1,868 and P267 in 2013 and 2012, respectively. A 1% decrease in the interest rate would have had the equal but opposite effect. These changes are considered to be reasonably possible given the observation of prevailing market conditions in those periods. There is no impact on the Group's other comprehensive income.

## Interest Rate Risk Table

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

<b>December 31, 2013</b>	<b>&lt;1 Year</b>	<b>1-2 Years</b>	<b>&gt;2-3 Years</b>	<b>&gt;3-4 Years</b>	<b>&gt;4-5 Years</b>	<b>&gt;5 Years</b>	<b>Total</b>
<b>Fixed Rate</b>							
Philippine peso-denominated	<b>P29,509</b>	<b>P2,494</b>	<b>P7,450</b>	<b>P24,438</b>	<b>P2,080</b>	<b>P29,214</b>	<b>P95,185</b>
Interest rate	<b>6.3131% - 12%</b>	<b>5.4885% - 9.33%</b>	<b>6.145% - 9.33%</b>	<b>6.05% - 7.1827%</b>	<b>6.3131% - 7.1827%</b>	<b>5.93% - 10.50%</b>	
Foreign currency-denominated (expressed in Philippine peso)	<b>9,536</b>	<b>-</b>	<b>13,319</b>	<b>-</b>	<b>-</b>	<b>35,516</b>	<b>58,371</b>
Interest rate	<b>2.00%</b>		<b>7.00%</b>			<b>4.875%</b>	
<b>Floating Rate</b>							
Philippine peso-denominated	<b>1,019</b>	<b>12,180</b>	<b>2,181</b>	<b>2,341</b>	<b>2,618</b>	<b>7,528</b>	<b>27,867</b>
Interest rate	<b>PDST-F + margin</b>	<b>PDST-F + margin</b>	<b>PDST-F + margin or BSP overnight rate + margin, whichever is higher</b>	<b>PDST-F + margin or BSP overnight rate + margin, whichever is higher</b>	<b>PDST-F + margin or BSP overnight rate + margin, whichever is higher</b>	<b>PDST-F + margin or BSP overnight rate + margin, whichever is higher</b>	
Foreign currency-denominated (expressed in Philippine peso)	<b>31,933</b>	<b>12,240</b>	<b>12,240</b>	<b>6,152</b>	<b>96,337</b>	<b>-</b>	<b>158,902</b>
Interest rate	<b>LIBOR + margin</b>	<b>LIBOR + margin</b>	<b>LIBOR + margin</b>	<b>LIBOR + margin</b>	<b>LIBOR + margin</b>		
	<b>P71,997</b>	<b>P26,914</b>	<b>P35,190</b>	<b>P32,931</b>	<b>P101,035</b>	<b>P72,258</b>	<b>P340,325</b>
<b>December 31, 2012</b>	<b>&lt;1 Year</b>	<b>1-2 Years</b>	<b>&gt;2-3 Years</b>	<b>&gt;3-4 Years</b>	<b>&gt;4-5 Years</b>	<b>&gt;5 Years</b>	<b>Total</b>
<b>Floating Rate</b>							
Foreign currency-denominated (expressed in Philippine peso)	<b>P -</b>	<b>P26,683</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P26,683</b>
Interest rate		<b>LIBOR + margin</b>					

### Foreign Currency Risk

The functional currency is the Philippine peso, which is the denomination of the bulk of the Group's revenues. The Group's exposure to foreign currency risk results from significant movements in foreign exchange rates that adversely affect the foreign currency-denominated transactions of the Group. The Group's risk management objective with respect to foreign currency risk is to reduce or eliminate earnings volatility and any adverse impact on equity. The Group enters into foreign currency hedges using a combination of non-derivative and derivative instruments such as foreign currency forwards, options or swaps to manage its foreign currency risk exposure.

Short-term currency forward contracts (deliverable and non-deliverable) and options are entered into to manage foreign currency risks arising from importations, revenue and expense transactions, and other foreign currency-denominated obligations. Currency swaps are entered into to manage foreign currency risks relating to long-term foreign currency-denominated borrowings.

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

	<b>December 31, 2013</b>		<b>December 31, 2012</b>	
	<b>US</b>	<b>Peso</b>	<b>US</b>	<b>Peso</b>
	<b>Dollar</b>	<b>Equivalent</b>	<b>Dollar</b>	<b>Equivalent</b>
<b>Assets</b>				
Cash and cash equivalents	<b>US\$1,355</b>	<b>P60,073</b>	US\$1	P50
Trade and other receivables	<b>1,101</b>	<b>48,859</b>	-	-
Prepaid expenses and other current assets	<b>51</b>	<b>2,285</b>	-	-
AFS financial assets	<b>7</b>	<b>314</b>	-	-
Noncurrent receivables	<b>191</b>	<b>8,464</b>	-	-
	<b>2,705</b>	<b>119,995</b>	1	50
<b>Liabilities</b>				
Loans payable	<b>478</b>	<b>21,230</b>	-	-
Accounts payable and accrued expenses	<b>1,717</b>	<b>76,226</b>	256	10,490
Long-term debt (including current maturities)	<b>4,894</b>	<b>217,273</b>	650	26,683
Finance lease liabilities (including current portion)	<b>2,351</b>	<b>104,392</b>	-	-
Other noncurrent liabilities	<b>756</b>	<b>33,558</b>	-	-
	<b>10,196</b>	<b>452,679</b>	906	37,173
Net foreign currency-denominated monetary liabilities	<b>(US\$7,491)</b>	<b>(P332,684)</b>	<b>(US\$905)</b>	<b>(P37,123)</b>

The Group reported net foreign exchange gains (losses) amounting to (P6,867), P2,010 and P72 in 2013, 2012 and 2011, respectively, with the translation of its foreign currency-denominated assets and liabilities (Note 31). These mainly resulted from the movements of the Philippine peso against the US dollar as shown in the following table:

	<b>US Dollar to Philippine Peso</b>
<b>December 31, 2013</b>	<b>44.395</b>
December 31, 2012	41.050
December 31, 2011	43.840

The management of foreign currency risk is also supplemented by monitoring the sensitivity of the Group's financial instruments to various foreign currency exchange rate scenarios. Foreign exchange movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in unrealized and realized foreign exchange gains or losses;
- translation reserves arising from increases or decreases in foreign exchange gains or losses recognized directly as part of other comprehensive income; and
- hedging reserves arising from increases or decreases in foreign exchange gains or losses of the hedged item and the hedging instrument.

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

<b>December 31, 2013</b>	<b>P1 Decrease in the US Dollar Exchange Rate</b>		<b>P1 Increase in the US Dollar Exchange Rate</b>	
	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity</b>	<b>Effect on Income before Income Tax</b>	<b>Effect on Equity</b>
Cash and cash equivalents	<b>(P1,004)</b>	<b>(P1,054)</b>	<b>P1,004</b>	<b>P1,054</b>
Trade and other receivables	<b>(150)</b>	<b>(1,056)</b>	<b>150</b>	<b>1,056</b>
Prepaid expenses and other current assets	<b>(51)</b>	<b>(36)</b>	<b>51</b>	<b>36</b>
AFS financial assets	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>7</b>
Noncurrent receivables	<b>(174)</b>	<b>(139)</b>	<b>174</b>	<b>139</b>
	<b>(1,379)</b>	<b>(2,292)</b>	<b>1,379</b>	<b>2,292</b>
Loans payable	<b>30</b>	<b>469</b>	<b>(30)</b>	<b>(469)</b>
Accounts payable and accrued expenses	<b>756</b>	<b>1,490</b>	<b>(756)</b>	<b>(1,490)</b>
Long-term debt (including current maturities)	<b>4,894</b>	<b>3,426</b>	<b>(4,894)</b>	<b>(3,426)</b>
Finance lease liabilities (including current portion)	<b>2,351</b>	<b>1,645</b>	<b>(2,351)</b>	<b>(1,645)</b>
Other noncurrent liabilities	<b>681</b>	<b>551</b>	<b>(681)</b>	<b>(551)</b>
	<b>8,712</b>	<b>7,581</b>	<b>(8,712)</b>	<b>(7,581)</b>
	<b>P7,333</b>	<b>P5,289</b>	<b>(P7,333)</b>	<b>(P5,289)</b>

December 31, 2012	P1 Decrease in the US Dollar Exchange Rate		P1 Increase in the US Dollar Exchange Rate	
	Effect on Income before Income Tax	Effect on Equity	Effect on Income before Income Tax	Effect on Equity
	(P1)	P -	P1	P -
Cash and cash equivalents				
Accounts payable and accrued expenses	256	179	(256)	(179)
Long-term debt	650	455	(650)	(455)
	906	634	(906)	(634)
	P905	P634	(P905)	(P634)

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

#### Commodity Price Risk

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

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

*Commodity Swaps, Futures and Options.* Commodity swaps, futures and options are used to manage the Group's exposures to volatility in prices of certain commodities such as fuel oil, crude oil, aluminum, soybean meal and wheat.

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

#### Liquidity Risk

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

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

**December 31, 2013**

	<b>Carrying Amount</b>	<b>Contractual Cash Flow</b>	<b>1 Year or Less</b>	<b>&gt; 1 Year - 2 Years</b>	<b>&gt; 2 Years - 5 Years</b>	<b>Over 5 Years</b>
<b>Financial Assets</b>						
Cash and cash equivalents	<b>P191,813</b>	<b>P191,813</b>	<b>P191,813</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>
Trade and other receivables - net	<b>165,585</b>	<b>165,585</b>	<b>165,585</b>	<b>-</b>	<b>-</b>	<b>-</b>
Option deposit (included under "Prepaid expenses and other current assets" account)	<b>1,110</b>	<b>1,110</b>	<b>1,110</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative assets (included under "Prepaid expenses and other current assets" account)	<b>681</b>	<b>681</b>	<b>681</b>	<b>-</b>	<b>-</b>	<b>-</b>
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	<b>117</b>	<b>117</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>-</b>
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	<b>6,526</b>	<b>6,551</b>	<b>411</b>	<b>6,015</b>	<b>125</b>	<b>-</b>
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	<b>22,260</b>	<b>22,260</b>	<b>-</b>	<b>22,260</b>	<b>-</b>	<b>-</b>
Restricted cash (included under "Other noncurrent assets" account)	<b>1,817</b>	<b>1,817</b>	<b>1,817</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial Liabilities</b>						
Loans payable	<b>143,740</b>	<b>144,304</b>	<b>144,304</b>	<b>-</b>	<b>-</b>	<b>-</b>
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	<b>127,500</b>	<b>127,903</b>	<b>127,903</b>	<b>-</b>	<b>-</b>	<b>-</b>
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	<b>455</b>	<b>455</b>	<b>455</b>	<b>-</b>	<b>-</b>	<b>-</b>
Long-term debt (including current maturities)	<b>336,212</b>	<b>402,289</b>	<b>85,951</b>	<b>38,984</b>	<b>193,287</b>	<b>84,067</b>
Finance lease liabilities (including current portion)	<b>195,048</b>	<b>267,467</b>	<b>20,140</b>	<b>22,036</b>	<b>70,036</b>	<b>155,255</b>
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and commissioning)	<b>16,950</b>	<b>16,983</b>	<b>-</b>	<b>16,713</b>	<b>13</b>	<b>257</b>

December 31, 2012

	Carrying Amount	Contractual Cash Flow	1 Year or Less	> 1 Year - 2 Years	> 2 Years - 5 Years	Over 5 Years
Financial Assets						
Cash and cash equivalents	P203	P203	P203	P -	P -	P -
Trade and other receivables - net	551	551	551	-	-	-
AFS financial assets	165,805	165,805	-	165,805	-	-
Financial Liabilities						
Accounts payable and accrued expenses	10,826	11,300	11,300	-	-	-
Long-term debt	26,099	28,985	1,571	27,414	-	-

### Credit Risk

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

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

### Trade and Other Receivables

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

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

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

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

### Investments

The Group recognizes impairment losses based on specific and collective impairment tests, when objective evidence of impairment has been identified either on an individual account or on a portfolio level.

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

	<i>Note</i>	<b>2013</b>	2012
Cash and cash equivalents	8	<b>P191,813</b>	P203
Trade and other receivables - net	9	<b>165,585</b>	551
Option deposit	11	<b>1,110</b>	-
Derivative assets	11	<b>681</b>	-
Financial assets at FVPL	11	<b>117</b>	-
AFS financial assets	11, 13	<b>6,526</b>	165,805
Noncurrent receivables and deposits - net	18	<b>22,260</b>	-
Restricted cash	18	<b>1,817</b>	-
		<b>P389,909</b>	P166,559

The credit risk for cash and cash equivalents, option deposit, derivative assets, financial assets at FVPL, AFS financial assets and restricted cash is considered negligible, since the counterparties are reputable entities with high quality external credit ratings.

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

#### Financial and Other Risks Relating to Livestock

The Group is exposed to financial risks arising from the change in cost and supply of feed ingredients and the selling prices of chicken, hogs and cattle and related products, all of which are determined by constantly changing market forces such as supply and demand and other factors. The other factors include environmental regulations, weather conditions and livestock diseases for which the Group has little control. The mitigating factors are listed below.

- The Group is subject to risks affecting the food industry, generally, including risks posed by food spoilage and contamination. Specifically, the fresh meat industry is regulated by environmental, health and food safety organizations and regulatory sanctions. The Group has put into place systems to monitor food safety risks throughout all stages of manufacturing and processing to mitigate these risks. Furthermore, representatives from the government regulatory agencies are present at all times during the processing of dressed chicken, hogs and cattle in all dressing plants and meat plants and issue certificates accordingly. The authorities, however, may impose additional regulatory requirements that may require significant capital investment at short notice.
- The Group is subject to risks relating to its ability to maintain animal health status considering that it has no control over neighboring livestock farms. Livestock health problems could adversely impact production and consumer confidence. However, the Group monitors the health of its livestock on a daily basis and proper procedures are put in place.

- The livestock industry is exposed to risk associated with the supply and price of raw materials, mainly grain prices. Grain prices fluctuate depending on the harvest results. The shortage in the supply of grain will result in adverse fluctuation in the price of grain and will ultimately increase the Group's production cost. If necessary, the Group enters into forward contracts to secure the supply of raw materials at reasonable price.

#### Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (financial assets at FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

#### 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 businesses and maximize shareholder value.

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

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

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

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

The Group, except for BOC which is subject to certain capitalization requirements by the BSP, is not subject to externally imposed capital requirements.

#### 40. Financial Assets and Financial Liabilities

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

	December 31, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Cash and cash equivalents	<b>P191,813</b>	<b>P191,813</b>	P203	P203
Trade and other receivables - net	<b>165,585</b>	<b>165,585</b>	551	551
Option deposit (included under "Prepaid expenses and other current assets" account)	<b>1,110</b>	<b>1,110</b>	-	-
Derivative assets (included under "Prepaid expenses and other current assets" account)	<b>681</b>	<b>681</b>	-	-
Financial assets at FVPL (included under "Prepaid expenses and other current assets" account)	<b>117</b>	<b>117</b>	-	-
AFS financial assets (including current portion presented under "Prepaid expenses and other current assets" account)	<b>6,526</b>	<b>6,526</b>	165,805	165,805
Noncurrent receivables and deposits - net (included under "Other noncurrent assets" account)	<b>22,260</b>	<b>22,260</b>	-	-
Restricted cash (included under "Other noncurrent assets" account)	<b>1,817</b>	<b>1,817</b>	-	-
<b>Financial Liabilities</b>				
Loans payable	<b>143,740</b>	<b>143,740</b>	-	-
Accounts payable and accrued expenses (excluding current retirement liabilities and IRO)	<b>127,500</b>	<b>127,500</b>	10,826	10,826
Derivative liabilities (included under "Accounts payable and accrued expenses" account)	<b>455</b>	<b>455</b>	-	-
Long-term debt (including current maturities)	<b>336,212</b>	<b>355,655</b>	26,099	26,099
Finance lease liabilities (including current portion)	<b>195,048</b>	<b>195,048</b>	-	-
Other noncurrent liabilities (excluding noncurrent retirement liabilities, IRO, ARO and accrual for mine rehabilitation and commissioning)	<b>16,950</b>	<b>16,950</b>	-	-

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

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

*Derivatives.* The fair values of forward exchange contracts are calculated by reference to current forward exchange rates. In the case of freestanding currency and commodity derivatives, the fair values are determined based on quoted prices obtained from their respective active markets. Fair values for stand-alone derivative instruments that are not quoted from an active market and for embedded derivatives are based on valuation models used for similar instruments using both observable and non-observable inputs.

*Financial Assets at FVPL and AFS Financial Assets.* The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates of comparable instruments quoted in active markets. Unquoted equity securities are carried at cost less impairment.

*Loans Payable and Accounts Payable and Accrued Expenses.* The carrying amount of loans payable and accounts payable and accrued expenses approximates fair value due to the relatively short-term maturities of these financial instruments.

*Long-term Debt, Finance Lease Liabilities and Other Noncurrent Liabilities.* The fair value of interest-bearing fixed-rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as of reporting date. Discount rates used for Philippine peso-denominated loans range from 0.4% to 3.8% as of December 31, 2013. The discount rates used for foreign currency-denominated loans range from 0.2% to 2.9% as of December 31, 2013. The carrying amounts of floating rate loans with quarterly interest rate repricing approximate their fair values.

#### Derivative Financial Instruments

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

The Group enters into various currency and commodity derivative contracts to manage its exposure on foreign currency and commodity price risk. The portfolio is a mixture of instruments including forwards, swaps and options.

#### Derivative Instruments not Designated as Hedges

The Group enters into certain derivatives as economic hedges of certain underlying exposures. These include freestanding and embedded derivatives found in host contracts, which are not designated as accounting hedges. Changes in fair value of these instruments are accounted for directly in profit or loss. Details are as follows:

##### *Freestanding Derivatives*

Freestanding derivatives consist of commodity and currency derivatives entered into by the Group.

##### *Currency Forwards*

The Group has outstanding foreign currency forward contracts with aggregate notional amount of US\$1,445 as of December 31, 2013, and with various maturities in 2014. The net positive fair value of these currency forwards amounted to P640 as of December 31, 2013.

##### *Commodity Swaps*

The Group has outstanding swap agreements covering its aluminum requirements, with various maturities in 2014. Under the agreement, payment is made either by the Group or its counterparty for the difference between the agreed fixed price of aluminum and the price based on the relevant price index. The outstanding equivalent notional quantity covered by the commodity swaps is 960 metric tons as of December 31, 2013. The net negative fair value of these swaps amounted to P6 as of December 31, 2013.

The Group has outstanding swap agreements covering its oil requirements, with various maturities in 2014. Under the agreement, payment is made either by the Group or its counterparty for the difference between the hedged fixed price and the relevant monthly average index price. The outstanding equivalent notional quantity covered by the commodity swaps is 2.0 million barrels as of December 31, 2013. The positive fair value of these swaps amounted to P6 as of December 31, 2013.

#### *Commodity Options*

The Group has outstanding bought and sold options covering its wheat requirements with notional quantities of 174,248 metric tons as of December 31, 2013. These options can be exercised at various calculation dates in 2014 with specified quantities on each calculation date. The net negative fair value of these options amounted to P186 as of December 31, 2013.

The Group has outstanding commodity options covering its crude oil requirements with notional quantity of 1.0 million barrels as of December 31, 2013. These call and put options can be exercised at various calculation dates in 2014 with specified quantities on each calculation date. The net negative fair value of these options amounted to P41 as of December 31, 2013.

#### *Embedded Derivatives*

The Group's embedded derivatives include currency derivatives (forwards and options) embedded in non-financial contracts.

#### *Embedded Currency Forwards*

The total outstanding notional amount of currency forwards embedded in non-financial contracts amounted to US\$183 as of December 31, 2013. These non-financial contracts consist mainly of foreign currency denominated purchase orders, sales agreements and capital expenditures. The embedded forwards are not clearly and closely related to their respective host contracts. The net negative fair value of these embedded currency forwards amounted to P163 as of December 31, 2013.

#### *Embedded Currency Options*

The total outstanding notional amount of currency options embedded in non-financial contracts amounted to US\$3 as of December 31, 2013. These non-financial contracts consist mainly of sales agreements. These embedded options are not clearly and closely related to their host contracts. The net negative fair value of these embedded currency options amounted to P1 as of December 31, 2013.

The Group recognized marked-to-market gains from freestanding and embedded derivatives amounting to P1,241 in 2013 (Note 31).

#### Fair Value Changes on Derivatives

The net movements in fair value of all derivative instruments are as follows:

	<i>Note</i>	<b>2013</b>
Balances arising from business combination	5, 37	<b>(P1,579)</b>
Net change in fair value of non-accounting hedges		<b>1,241</b>
		<b>(338)</b>
Less fair value of settled instruments		<b>(564)</b>
Balance at end of year		<b>P226</b>

### Fair Value Hierarchy

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

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

	December 31, 2013			December 31, 2012		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Financial Assets</b>						
Derivative assets	P -	P681	P681	P -	P -	P -
Financial assets at FVPL	117	-	117	-	-	-
AFS financial assets	1,256	5,270	6,526	165,805	-	165,805
<b>Financial Liabilities</b>						
Derivative liabilities	-	455	455	-	-	-

The Group has no financial instruments valued based on Level 3 as of December 31, 2013 and 2012. During the year, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

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## **41. Registration with the Board of Investments (BOI)**

- SMC Global

On August 21, 2007, SEPC was registered with the BOI under the Omnibus Investment Code of 1987 (EO No. 226), as New Domestic Producer of Coal on a Non-pioneer Status and was entitled to certain incentives that include, among others, an Income Tax Holiday (ITH) for four years from June 2011 or date of actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

SMEC, SPDC and SPDC are registered with the BOI as administrator/operator of their respective power plant on a pioneer status with non-pioneer incentives and were granted ITH for four years without extension beginning August 1, 2010, subject to compliance with certain requirements under their registrations. The ITH incentive availed was limited only to the sale of power generated from the power plants.

In 2013, SMCPC and SCPC were granted incentives by the BOI on a pioneer status with non-pioneer incentives as operator of their respective power plant for six years beginning December 2015 and February 2016, respectively, or start of commercial operations whichever is earlier, subject to the representations and commitments set forth in the application for registration, the provisions of Omnibus Investment Code of 1987, the rules and regulations of the BOI and the terms and conditions prescribed. The project registration status shall be automatically downgraded to non-pioneer incentives with four years ITH when certain terms and conditions are not met. The ITH incentive availed was limited only to the sale of power generated from the power plants.

On September 3, 2013 and January 28, 2014, the BOI issued a Certificate of Authority to SMCPC and SCPC, respectively, subject to provisions and implementing rules and regulations of EO No. 70, entitled “Reducing the Rates of Duty on Capital Equipment, Spare Parts and Accessories imported by BOI Registered New and Expanding Enterprises”. Authority shall be valid for one year from the date of issuance or will not be cleared for zero duty rate if capital equipment applied for importation are not ordered within the effectivity of the certification. Advanced authority to import capital equipment was granted on May 21, 2013.

- **SMPFC**

Certain operations of consolidated subsidiaries of SMPFC are registered with the BOI as pioneer and non-pioneer activities. As registered enterprises, these subsidiaries are subject to some requirements and are entitled to certain tax and non-tax incentives.

**GBGTC**

GBGTC was registered with the BOI under Registration No. 2012-223 on a non-pioneer status as a New Operator of Warehouse for its grain terminal project in Mabini, Batangas on October 19, 2012.

Under the terms of GBGTC’s BOI registration and subject to certain requirements as provided in the Omnibus Investments Code of 1987, GBGTC is entitled to incentives which include, among others, ITH for a period of four years from July 2013 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

**SMFI**

SMFI’s (formerly Monterey Foods Corporation) Sumilao Hog Project (Sumilao Project) was registered with the BOI under Registration No. 2008-192, in accordance with the provisions of the Omnibus Investments Code of 1987 on a pioneer status as New Producer of Hogs on July 30, 2008. As a BOI-registrant, the Sumilao Project is entitled to incentives which include, among others, ITH for a period of six years, extendable under certain conditions to eight years, from February 2009 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration.

- **Petron**

**Mixed Xylene, Benzene, Toluene (BTX) and Propylene Recovery Units**

On October 20, 2005, Petron registered with the BOI under the Omnibus Investments Code of 1987 (EO No. 226) as: (1) a non-pioneer, new export producer status of Mixed Xylene; (2) a pioneer, new export producer status of Benzene and Toluene; and (3) a pioneer, new domestic producer status of Propylene. Under the terms of its registration, Petron is subject to certain requirements principally that of exporting at least 70% of the production of Mixed Xylene and 50% of the combined production of Benzene and Toluene.

As a registered enterprise, Petron is entitled to the following benefits on its production of petroleum products used as petrochemical feedstock:

- a. ITH: (1) for four years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Mixed Xylene subject to base figure of 120,460 metric tons per year representing Petron's highest attained production volume for the last three years; (2) for six years from May 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Benzene and Toluene; and (3) for six years from December 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration for Propylene.
- b. Tax credit equivalent to the national internal revenue taxes and duties paid on raw materials and supplies and semi-manufactured products used in producing its export product and forming parts thereof for ten years from start of commercial operations.
- c. Simplification of custom procedures.
- d. Access to Customs Bonded Manufacturing Warehouse (CBMW) subject to Custom rules and regulations provided firm exports at least 70% of production output of Mixed Xylene and 50% of combined production of Benzene and Toluene.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten year period from date of registration.
- f. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.
- g. Exemption from taxes and duties on imported spare parts and consumable supplies for export producers with CBMW exporting at least 70% production of Mixed Xylene and 50% of combined production of Benzene and Toluene.
- h. Petron may qualify to import capital equipment, spare parts, and accessories at zero (one percent for Propylene) duty from date of registration up to June 5, 2006 pursuant to EO No. 313 and its Implementing Rules and Regulations.

Mixed Xylene entitlement period ended in April 2012 and registration with BOI was cancelled on August 10, 2012.

Petron was granted a one-year extension of ITH incentive for its propylene sales.

#### Fluidized Bed Catalytic Cracker (PetroFCC) Unit

On December 20, 2005, the BOI approved Petron's application under RA No. 8479 for new investment at its Bataan Refinery for the PetroFCC. Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from December 2008 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration subject to a rate of exemption computed based on the percentage share of product that are subject to retooling.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment. This shall be equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- d. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- e. Exemption from wharfage dues, any export tax, duty, imposts and fees for a ten year period from date of registration.
- f. Exemption from taxes and duties on imported spare parts for consigned equipment with bonded manufacturing warehouse.
- g. Exemption from real property tax on production equipment or machinery.
- h. Exemption from contractor's tax.

PetroFCC entitlement period ended in February 2013 and registration with BOI was cancelled on July 4, 2013.

#### 70 MW Coal-Fired Power Plant (Limay, Bataan)

On November 3, 2010, Petron registered with the BOI as new operator of a 70 MW Coal-Fired Power Plant on a pioneer status with non-pioneer incentives under the Omnibus Investments Code of 1987 (EO No. 226). Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for four years from July 2012 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid.
- b. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.
- c. Petron may qualify to import capital equipment, spare parts and accessories at zero duty from date of registration up to June 16, 2011 pursuant to EO No. 528 and its Implementing Rules and Regulations.

The power plant started commercial operations on May 10, 2013 and Petron availed of ITH from May to September 2013.

RMP-2 Project

On June 3, 2011, the BOI approved Petron's application under RA No. 8479 as an Existing Industry Participant with New Investment in Modernization/Conversion of Bataan Refinery's RMP-2. The BOI is extending the following major incentives:

- a. ITH for five years without extension or bonus year from July 2015 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration based in the formula of the ITH rate of exemption.
- b. Minimum duty of three percent and VAT on imported capital equipment and accompanying spare parts.
- c. Importation of consigned equipment for a period of five years from date of registration subject to posting of the appropriate re-export bond; provided that such consigned equipment shall be for the exclusive use of the registered activity.
- d. Tax credit on domestic capital equipment shall be granted on locally fabricated capital equipment which is equivalent to the difference between the tariff rate and the three percent duty imposed on the imported counterpart.
- e. Exemption from real property tax on production equipment or machinery.
- f. Exemption from contractor's tax.

70 MW Solid Fuel-Fired Power Plant

On February 14, 2013, Petron registered with the BOI as an expanding operator of a 70 MW Solid Fuel-Fired Power Plant on a pioneer status under Omnibus Investments Code of 1987 (EO No. 226). Subject to Petron's compliance with the terms and conditions of registration, the BOI is extending the following major incentives:

- a. ITH for three years from December 2014 or actual start of commercial operations, whichever is earlier, but in no case earlier than the date of registration limited to the revenue generated from the electricity sold to the grid, other entities and/or communities.
- b. Importation of capital equipment, spare parts and accessories at zero duty from the date of effectivity of EO No. 70 and its Implementing Rules and Regulations for a period of five years reckoned from the date of registration or until the expiration of EO No. 70, whichever is earlier.
- c. Importation of consigned equipment for a period of ten years from the date of registration subject to the posting of re-export bond.

Yearly certificates of entitlement have been timely obtained by Petron to support its ITH credits.

- **SMYAC**

SMYAC is registered with the BOI as a new domestic producer of glass containers for the new production facility (Phase I) and as expanding producer of glass containers for the expansion of the existing production facility (Phase II), both on a non-pioneer status under the Omnibus Investments Code of 1987.

As a registered enterprise, SMYAC is entitled to the following ITH benefits:

- a. Phase I - for a period of four years from February 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than March 23, 2005, the date of registration; and
- b. Phase II - for a period of three years from August 2007 or actual start of commercial operations, whichever is earlier, but in no case earlier than March 23, 2005, the date of registration.

SMYAC's entitlement for ITH for Phase I expired in August 2010 while the entitlement for ITH for Phase II was extended until November 2012.

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#### **42. Events After the Reporting Date**

- a. *Issuance of Philippine Peso-denominated Bonds by SMB*

The BOD of SMB approved on its meeting on February 7, 2014, the issuance by SMB of Philippine peso-denominated bonds of up to P15,000, subject to an option on the part of SMB to increase the amount by up to P5,000 in case of an oversubscription. The bond issuance will have a minimum tenor of seven years and a maximum of 15 years. The proceeds thereof will be used to refinance Series B of the P38,800 Bonds, maturing on April 4, 2014. The BOD has also delegated to the Management of SMB the authority to determine, negotiate and finalize the terms and conditions of the issuance, including the interest rates, tenor and listing thereof.

- b. *Sale of 470,000,000 Petron Common Shares by PCERP*

On March 26, 2014, PCERP sold 470,000,000 common shares of Petron at a price of P11.50 per share through the facilities of PSE with settlement date of April 1, 2014.

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### 43. Other Matters

#### a. *Contingencies*

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the financial statements of the Group.

#### ▪ Treasury Shares of SMC

A portion of the total treasury shares of SMC came from 25,450,000 common shares, with an acquisition cost of P481, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by SMC with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of SMC shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring SMC to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the “Sandiganbayan Resolution”).

On October 10, 2000, SMC filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than SMC, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On January 29, 2004, the external legal counsel made the additional recommendation that SMC should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of SMC shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF block of SMC shares of stock should exclude the treasury shares.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

Upon advise of external counsel, the Executive Committee of SMC approved the following on January 18, 2008, which was ratified by the BOD on March 6, 2008, to wit: (i) recognition of SMC's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) take the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation.

On July 23, 2009, the stockholders of SMC approved the amendment of the Articles of Incorporation to issue Series "1" preferred shares, and the offer to exchange common shares to Series "1" preferred shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in SMC in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" preferred shares. On October 5, 2012, SMC redeemed all Series "1" preferred shares including those Series "1" preferred shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" preferred shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As of October 5, 2012, CIIF Holding Companies are no longer stockholders of SMC.

On June 30, 2011, the PCGG filed with the Supreme Court relating to an Urgent Motion to Direct SMC to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, SMC filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by SMC on February 22, 2012, directing SMC to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of SMC.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a "Manifestation and Omnibus Motion 1) To Amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 Coconut Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38" ("Manifestation and Omnibus Motion").

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required SMC to comment on COCOFED, et al.'s "Manifestation" dated October 4, 2012 and PCGG's "Manifestation and Omnibus Motion." Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a "Manifestation Re: 'Resolution' dated November 20, 2012," dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) SMC is likewise not a party in those cases, and if SMC is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished SMC; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that "no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court's directive.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required SMC to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten days from notice thereof.

SMC, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; (a) "Comment of San Miguel Corporation on the 'Manifestation' of Petitioners COCOFED, et al., Dated October 4, 2012" on November 6, 2013; and (b) "Comment of San Miguel Corporation on the 'Manifestation and Omnibus Motion...' Dated October 12, 2012 of the Respondent Republic" on December 3, 2013.

As of March 27, 2014, the aforementioned cases relating to the treasury shares remain pending in the Supreme Court.

In the meantime, SMC has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

- Deficiency Excise Tax

On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on "San Mig Light", one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) (1<sup>st</sup> Division) under CTA case numbers 7052 and 7053.

In relation to the aforesaid contested assessments, SMC, on January 31, 2006, filed with the CTA (1<sup>st</sup> Division), under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, were subsequently consolidated and jointly tried.

On November 27, 2007, SMC filed with the CTA (3<sup>rd</sup> Division), under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to SMC, appealing to SMC to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 "in order to obviate the necessity of issuing a Warrant of Distrainment and Garnishment and/or Levy". SMC's external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distrainment and Garnishment and/or Levy against SMC, especially in view of SMC's pending claims for refund. As of March 27, 2014, the BIR has taken no further action on the matter.

On July 24, 2009, SMC filed its third claim for refund with the CTA (3<sup>rd</sup> Division), under CTA case number 7953, also in relation to the contested assessments. This case is still undergoing trial.

On January 7, 2011, the CTA (3<sup>rd</sup> Division) under CTA case number 7708 rendered its decision in this case, granting SMC's petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of SMC in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA En Banc and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Second Division of the Supreme Court a Petition for Review which was docketed as G.R. No. 205045. This case is now with the Third Division of the Court.

On October 18, 2011, the CTA (1<sup>st</sup> Division) rendered its joint decision in CTA case numbers 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against SMC, granting the latter's claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P781, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on "San Mig Light" during the period from February 1, 2004 to November 30, 2005. A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision has been denied and the Commissioner elevated the decision to CTA En Banc for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA En Banc Decision was later elevated by the Office of the Solicitor General to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045. Both cases are now with the Third Division.

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on "San Mig Light" at the higher rate required by the BIR.

On September 28, 2009, SMB filed a claim for refund with the CTA (3<sup>rd</sup> Division) under CTA case number 7973; on December 28, 2010, its second claim for refund with the CTA (1<sup>st</sup> Division) under case number 8209; on December 23, 2011, its third claim for refund with the CTA (3<sup>rd</sup> Division) under case number 8400; on July 30, 2012, its fourth claim for refund under case number 8591; and on December 19, 2013, its fifth claim for refund with the CTA (2<sup>nd</sup> Division) under case number 8748. All these cases have already been submitted for decision, with the exception of case number 8748, which is up for pre-trial conference.

- **Deficiency Tax Liabilities**

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on IBI deficiency tax liabilities including interest and penalties for the tax year 2009. IBI treated the royalties earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to the 20% final tax. However, the BIR is of the position that said royalties are business income subject to the 30% regular corporate tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued last January 7, 2013, the BIR denied IBI's protest and reiterated the demand to pay the deficiency income tax including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case is still pending before the said court.

For the taxable year 2010, on November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013.

- Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to Petron's use of P659 worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CTA in its Resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition is still pending as of March 27, 2014.

- Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 reclassifying the areas occupied by the oil terminals of Petron, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This reclassification made the operation of the oil terminals in Pandacan, Manila illegal. However, in June 2002, Petron, together with Shell and Chevron, entered into a Memorandum of Understanding (MOU) with the City of Manila and the DOE, agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance No. 8027. In December 2002, in reaction to the MOU, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance No. 8027. In April 2003, Petron filed a petition with the Regional Trial Court (RTC) to annul Ordinance No. 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance No. 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance No. 8119), which applied to the entire City of Manila. Ordinance No. 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance No. 8119, which was thought to effectively repeal Ordinance No. 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance No. 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (the March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance No. 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, Petron also filed a petition before the RTC of Manila praying for the nullification of Ordinance No. 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, Petron, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance No. 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance No. 8027.

In May 2009, the Mayor of Manila approved Ordinance No. 8187, which amended Ordinance No. 8027 and Ordinance No. 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012, the RTC of Manila ruled that Section 23 of Ordinance No. 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance No. 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance No. 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance No. 8119. On September 25, 2012, Petron sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance No. 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by Petron. Petron filed a notice of appeal on January 23, 2013. In an order dated February 6, 2013, the RTC of Manila ordered the records of the case be forwarded to the Court of Appeals. On April 15, 2013, Petron received an Order dated April 1, 2013 requiring it to file its appellant's brief. Petron submitted its appellant's brief on July 29, 2013. On December 19, 2013, Petron, through its counsel, received the City of Manila's appellee's brief dated December 12, 2013. As of March 27, 2014, the appeal remained pending.

With regard to Ordinance No. 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinder of its implementation. Petron filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within five years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and

the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016. As of March 27, 2014, the petitions remained pending.

- Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the DOTC and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

In 2009, complaints for violation of the Philippine Clean Water Act of 2004 (RA No. 9275, the Clean Water Act) and homicide and less serious physical injuries were filed against Petron. Complainants claim that their exposure to and close contact with waters along the shoreline and mangroves affected by the oil spill has caused them major health problems. On February 13, 2012, an information was filed against the owner and the Captain of MT Solar I and the former President and Chairman of Petron for violation of the Clean Water Act. On March 28, 2012, the court dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged. The Provincial Prosecutor and the private prosecutor filed a motion for reconsideration of this March 28 Order of the court. On August 13, 2012, the court issued an order denying the said motion for reconsideration.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total claims for both cases amounted to P292. Both cases are still pending as of March 27, 2014.

- Generation Payments to PSALM

SPPC disputed the claims of PSALM for generation payments. The claims arose from differing interpretations of certain provisions in the IPPA Agreement related to generation payments, the fees payable to PSALM for the generation of power to customers. SPPC's management is in discussions with PSALM to secure a common understanding through amicable means. However, management and its legal counsel assessed that SPPC's bases for the amounts due to PSALM are consistent with the terms of the Ilijan IPPA Agreement. The outcome of these claims is uncertain; accordingly, the amount cannot be presently determined.

b. *MYL*

On June 29, 2012, MYL purchased a total of 368,140,516 common shares of SMC. The sale was transacted at the PSE thru a special block sale at the price of P75.00 per share.

On September 30, 2013, Privado Holdings, Corp. (Privado) acquired 368,140,516 common shares of SMC from MYL. The acquisition was transacted thru the PSE at P75.00 per share.

On February 14, 2014, Privado acquired 50,000 shares of stock of SMC at the PSE at P58.00 per share.

c. *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2013 amounted to P35,609.

Amount authorized but not yet disbursed for capital projects as of December 31, 2013 is approximately P27,600.

d. *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P44.395 and P41.05 in 2013 and 2012, respectively, for statements of financial position accounts; and average rates of P42.43, P42.24 and P43.31 in 2013, 2012 and 2011, respectively, for income and expense accounts.

e. *Temporary Restraining Order (TRO) Issued to Meralco*

On December 23, 2013, the Supreme Court issued a TRO, effective immediately, preventing Meralco from collecting from its customers the power rate increase pertaining to November 2013 billing. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by SMEC and SPPC is billed to Meralco's customers on a pass-through basis, Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. Further, on December 27, 2013, the DOE, ERC, and PEMC, acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The interim price will be effective for 90 days until a new cap is decided upon. As of December 31, 2013, the outcome of this case cannot be presently determined.

On January 16, 2014, the Supreme Court granted Meralco's plea to include other power supplier and generation companies, including SMEC and SPPC, as respondents to an inquiry. On February 18, 2014, the Supreme Court extended the period of the TRO until April 22, 2014 and enjoined the respondents (PEMC and the generators) from demanding and collecting the deferred amounts.

On March 3, 2014, the ERC issued an order declaring the November and December 2013 Luzon WESM prices void and imposed the application of regulated prices. Accordingly, the Group recognized a reduction in the sale of power and liability for the portion already collected.

f. *Electric Power Industry Reform Act of 2001*

RA No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001” (EPIRA) sets forth the following: (a) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing NPC generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (b) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (c) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements.

The EPIRA requires generation and distribution utility (DU) companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

g. *Subscription Agreement (SA) with Innovative Hi-Power Holdings, Inc.*

On June 25, 2008, the Parent Company entered into a SA with Innovative Hi-Power Holdings, Inc. (the “Subscriber”). Under the terms and conditions of the agreement, the Subscriber agrees to assign, transfer and convey in favor of the Parent Company its rights to, title and interest in the shares of stock representing 100% ownership in five (5) mining companies, in consideration for the shares to be subscribed.

The parties agreed to hire an appraiser to conduct the appraisal and valuation of the 5 mining companies within 6 months from the execution of the agreement, unless extended by mutual agreement of the parties. The resulting appraised value shall be the basis for the increase of the authorized capital stock of the Parent Company and the subscription of the Subscriber to such number of the common shares of stock of the Parent Company with an aggregate par value equivalent to the appraised value.

Pending the results of the appraisal, 7.5% of the estimated value of the 5 mining companies, equivalent to P21, shall be assigned to the Parent Company as of the date of execution of the agreement.

On September 11, 2009, the Subscriber entered into an Amendment to the SA with the Parent Company amending certain provisions of the SA executed on June 25, 2008. The amendments include, among others, an extension of the appraisal of the 5 mining companies which shall be completed on or before December 25, 2012, or such later date as the parties shall mutually agree upon in writing. Further, an amendment to the amount assigned to the Parent Company which shall be equivalent to 12% of the estimated value of the 5 mining companies, or P33, has been agreed.

On January 4, 2010, the Subscriber entered into an Amendment to the SA with the Parent Company amending certain provisions of the SA executed on June 25, 2008. The agreement is amended such that the Subscriber shall assign its rights, title and interest to such number of shares in 5 mining companies up to the appraised valuation of P33 only. The Parent Company shall issue to the Subscriber 1,774,194 common shares at P18,600.00 per share for and in consideration of total subscription price of P33.

As of December 31, 2012, the Parent Company did not recognize the investment and the deposit for future stock subscriptions in the statements of financial position since the risks and rewards from the 5 mining companies remain with the Subscriber.

In 2013, the Subscriber did not satisfy the conditions for the assignment of its rights to, title and interest in the shares of stock of the five (5) mining companies and the contemplated investment of the Subscriber in the Parent Company, as provided for in the SA and Amendment to the SA, was terminated.

- h. Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations for any period.

ANNEX “E”

TOP FRONTIER INVESTMENT HOLDINGS, INC.  
2013  
SUPPLEMENTARY SCHEDULES



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6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

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Branches: Subic · Cebu · Bacolod · Iloilo

## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders  
Top Frontier Investment Holdings, Inc.  
5<sup>th</sup> Floor, ENZO Building  
399 Sen. Gil Puyat Avenue, Makati City

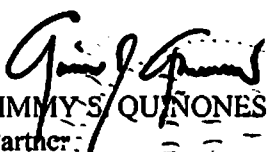
We have audited, in accordance with Philippine Standards on Auditing, the financial statements of Top Frontier Investment Holdings, Inc. (the “Company”) and Subsidiaries (the “Group”) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, and have issued our report thereon dated March 27, 2014.

Our audits were made for the purpose of forming an opinion on the basic financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group’s management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards and Interpretations
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the basic financial statements. Such supplementary information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**R.G. MANABAT & CO.**

  
JIMMY S. QUINONES  
Partner

CPA License No. 0085650

SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 12-072-024

BIR Accreditation No. 08-001987-17-2014

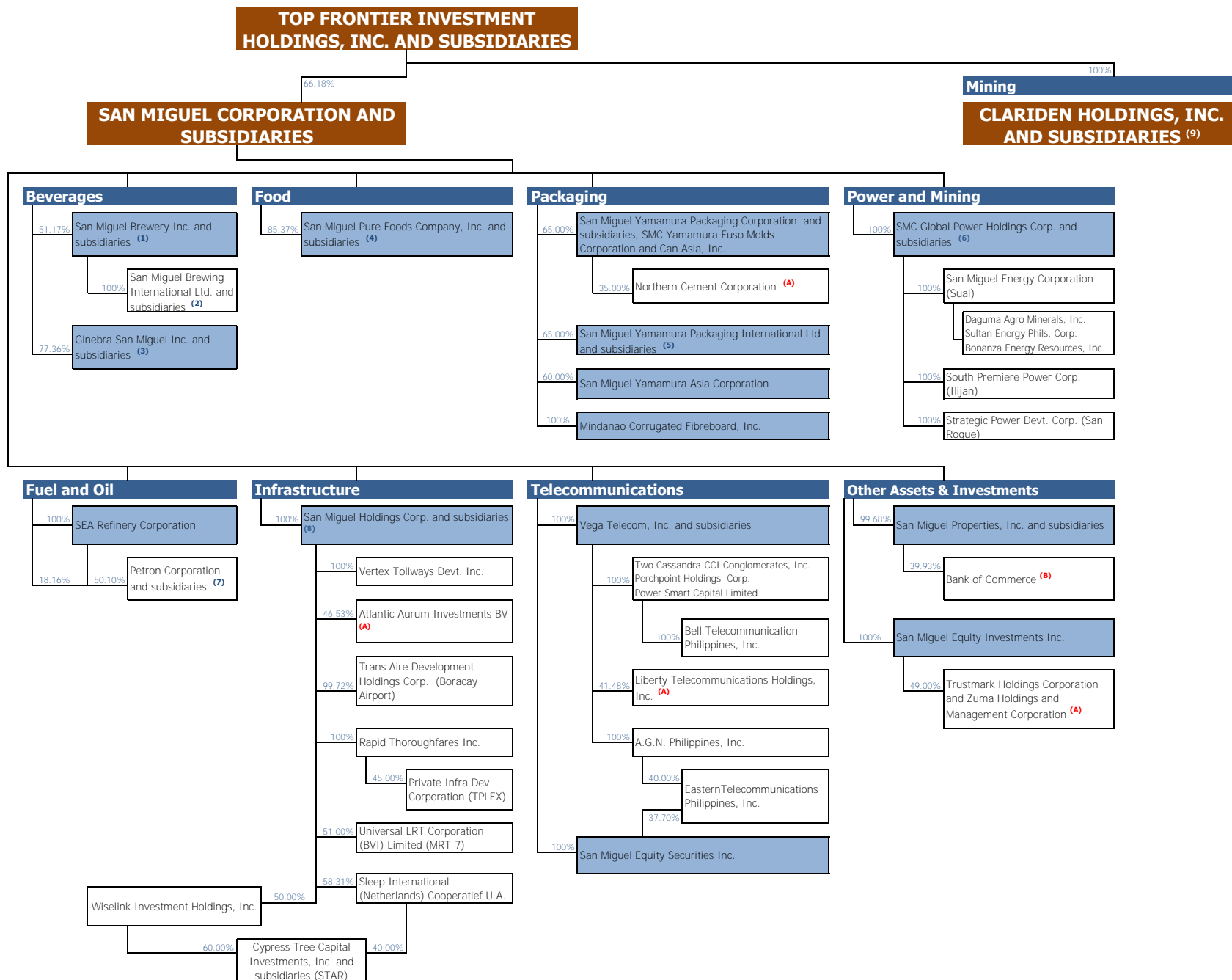
Issued January 22, 2014; valid until January 21, 2017

PTR No. 4225140MC

Issued January 2, 2014 at Makati City

March 27, 2014  
Makati City, Metro Manila

# TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES



Note:  
<sup>(A)</sup> Associate  
<sup>(B)</sup> Asset held for sale

## Subsidiaries:

1. San Miguel Brewery Inc. subsidiaries also include Iconic Beverages, Inc. and Brewery Properties Inc. and subsidiary
2. San Miguel Brewing International Ltd. subsidiaries include San Miguel Brewery Hong Kong Limited and subsidiaries, PT Delta Djakarta Tbk and subsidiary, San Miguel (Baoding) Brewery Co. Limited, San Miguel Brewery Vietnam Limited, San Miguel Beer (Thailand) Limited and San Miguel Marketing Thailand Limited
3. Ginebra San Miguel, Inc. subsidiaries include Distileria Bago, Inc., Ginebra San Miguel International, Ltd., Ginebra San Miguel International Holdings Ltd., Global Beverage Holdings Ltd., Siam Holdings Ltd. and East Pacific Star Bottlers Philippines, Inc.
4. San Miguel Pure Foods Company, Inc. subsidiaries include San Miguel Foods, Inc., The Purefoods-Hormel Company, Inc., Magnolia, Inc. and subsidiaries, San Miguel Mills, Inc. and subsidiaries, San Miguel Super Coffeemix Co., Inc., P.T. San Miguel Pure Foods Indonesia, San Miguel Pure Foods International, Limited and subsidiary, San Miguel Pure Foods Investment (BVI) Limited and subsidiary, San Miguel Hormel (Vn) Co. Ltd.
5. San Miguel Yamamura Packaging International Limited subsidiaries include San Miguel Phu Tho Packaging Co. Ltd., Zhaoqing San Miguel Yamamura Glass Co., Ltd., Foshan San Miguel Yamamura Packaging Co. Ltd., San Miguel Yamamura Packaging & Printing Sdn. Bhd., San Miguel Yamamura Woven Products Sdn. Bhd., Packaging Research Centre Sdn. Bhd., San Miguel Yamamura Plastic Films Sdn. Bhd. and San Miguel Yamamura Australasia Pty. Ltd. and subsidiaries
6. SMC Global Power Holdings Corp. subsidiaries also include San Miguel Electric Corp., SMC PowerGen Inc. and PowerOne Ventures Energy Inc.
7. Petron Corporation subsidiaries include Petron Marketing Corporation, Petron Freeport Corporation, Petrogen Insurance Corporation, Overseas Ventures Insurance Corporation, Petron Singapore Trading Pte. Ltd., New Ventures Realty Corporation and subsidiaries, Petron Global Limited (BVI), Petron Finance (Labuan) Limited, Petron Oil & Gas International Sdn Bhd including Petron Fuel International Sdn Bhd, Petron Oil (M) Sdn Bhd and Petron Malaysia Refining & Marketing Bhd. (collectively Petron Malaysia), Limay Energen Corp. and Petrochemical Asia (HK) Limited
8. San Miguel Holdings Corp. subsidiaries also include Optimal Infrastructure Development, Inc., Terramino Holdings, Inc. and subsidiary and Alloy Manila Toll Expressways Inc.
9. Clariden Holdings, Inc. subsidiaries include V.I.L. Mines, Incorporated, Asia-Alliance Mining Resources Corp., South Western Cement Corp., Excelon Asia Holding Corporation, New Manila Properties Inc. and Philnico Holdings, Ltd. [ including Pacific Nickel Philippines, Inc., Philnico Industrial Corporation, Philnico Processing Corp. (collectively the Philnico Group)]

## TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>		✓		
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	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			✓
<b>PFRS 2</b>	Share-based Payment	✓		
	Amendments to PFRS 2: Vesting Conditions and Cancellations	✓		
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions	✓		
<b>PFRS 3 (Revised)</b>	Business Combinations	✓		
<b>PFRS 4</b>	Insurance Contracts	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts	✓		
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations	✓		
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources	✓		
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	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		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
<b>PFRS 8</b>	Operating Segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendment to PFRS 10: Transition Guidance	✓		
	Amendment to PFRS 10: Investment Entities* (effective January 1, 2014)			✓
<b>PFRS 11</b>	Joint Arrangements	✓		
	Amendment to PFRS 11: Transition Guidance	✓		
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 12: Transition Guidance	✓		
	Amendments to PFRS 12: Investment Entities* (effective January 1, 2014)			✓
<b>PFRS 13</b>	Fair Value Measurement	✓		
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	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: Comparative Information beyond Minimum Requirements	✓		
	Amendments to PAS 1: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts	✓		
<b>PAS 12</b>	Income Taxes	✓		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	✓		
<b>PAS 16</b>	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of Servicing Equipment	✓		
<b>PAS 17</b>	Leases	✓		
<b>PAS 18</b>	Revenue	✓		
<b>PAS 19 (Amended)</b>	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions		✓	
<b>PAS 20</b>	Accounting for Government Grants and Disclosure of Government Assistance			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
<b>PAS 21</b>	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation	✓		
<b>PAS 23 (Revised)</b>	Borrowing Costs	✓		
<b>PAS 24 (Revised)</b>	Related Party Disclosures	✓		
<b>PAS 26</b>	Accounting and Reporting by Retirement Benefit Plans			✓
<b>PAS 27 (Amended)</b>	Separate Financial Statements	✓		
	Amendment to PAS 27: Investment Entities ( <i>effective January 1, 2014</i> )		✓	
<b>PAS 28 (Amended)</b>	Investments in Associates and Joint Ventures	✓		
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and 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: Income tax Consequences of Distributions	✓		
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities		✓	
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Amendments to PAS 34: Segment Assets and Liabilities	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets		✓	
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
<b>PAS 39</b>	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	✓		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting		✓	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013		Adopted	Not Early Adopted	Not Applicable
<b>PAS 40</b>	Investment Property	✓		
<b>PAS 41</b>	Agriculture	✓		
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities	✓		
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	✓		
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives	✓		
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements	✓		
<b>IFRIC 13</b>	Customer Loyalty Programmes	✓		
<b>IFRIC 14</b>	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	✓		
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation	✓		
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners	✓		
<b>IFRIC 18</b>	Transfers of Assets from Customers	✓		
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments	✓		
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine	✓		
<b>IFRIC 21</b>	Levies		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives	✓		
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.	✓		
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2013</b>		<b>Adopted</b>	<b>Not Early Adopted</b>	<b>Not Applicable</b>
<b>Philippine Interpretations Committee Questions and Answers</b>				
<b>PIC Q&amp;A 2006-01</b>	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts	✓		
<b>PIC Q&amp;A 2006-02</b>	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements	✓		
<b>PIC Q&amp;A 2007-03</b>	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
<b>PIC Q&amp;A 2007-04</b>	PAS 101.7 - Application of criteria for a qualifying NPAE	✓		
<b>PIC Q&amp;A 2008-02</b>	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
<b>PIC Q&amp;A 2009-01</b>	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	✓		
<b>PIC Q&amp;A 2010-01</b>	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
<b>PIC Q&amp;A 2010-02</b>	PAS 1R.16 - Basis of preparation of financial statements	✓		
<b>PIC Q&amp;A 2010-03</b>	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan	✓		
<b>PIC Q&amp;A 2011-01</b>	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
<b>PIC Q&amp;A 2011-02</b>	PFRS 3.2 - Common Control Business Combinations	✓		
<b>PIC Q&amp;A 2011-03</b>	Accounting for Inter-company Loans	✓		
<b>PIC Q&amp;A 2011-04</b>	PAS 32.37-38 - Costs of Public Offering of Shares	✓		
<b>PIC Q&amp;A 2011-05</b>	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost	✓		
<b>PIC Q&amp;A 2011-06</b>	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of investment properties - asset acquisition or business combination?	✓		
<b>PIC Q&amp;A 2012-01</b>	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements	✓		
<b>PIC Q&amp;A 2012-02</b>	Cost of a new building constructed on the site of a previous building	✓		
<b>PIC Q&amp;A 2013-01</b>	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs	✓		
<b>PIC Q&amp;A 2013-03</b>	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✓		

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**

**INDEX TO FINANCIAL STATEMENTS AND  
SUPPLEMENTARY SCHEDULES  
DECEMBER 31, 2013**

A	- FINANCIAL ASSETS	
B	- AMOUNTS RECEIVABLE FROM (PAYABLE TO) DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)	NOT APPLICABLE
C	- AMOUNTS RECEIVABLE FROM (PAYABLE TO) RELATED PARTIES WHICH ARE ELIMINATED DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS	
D	- INTANGIBLE ASSETS AND OTHER ASSETS	
E	- LONG-TERM DEBT	
F	- INDEBTEDNESS TO RELATED PARTIES	
G	- GUARANTEES OF SECURITIES OF OTHER ISSUERS	NOT APPLICABLE
H	- CAPITAL STOCK	

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE A - FINANCIAL ASSETS**  
**DECEMBER 31, 2013**  
**(Amounts in Millions, Except No. of Shares Data)**

<b>Name of Issuing Entity / Description of Each Issue</b>	<b>Number of Shares or Principal Amount of Bonds and Notes</b>	<b>Amount Shown in the Statements of Financial Position</b>	<b>Value Based on Market Quotations at Dec. 31, 2013</b>	<b>Income Received and Accrued</b>
Cash and cash equivalents	-	P 191,813	P 191,813	P 514
Trade and other receivables - net	-	165,585	165,585	173
Option deposit	-	1,110	1,110	-
Derivative assets	-	681	681	1,241 *
Financial assets at fair value through profit or loss	-	117	117	24
Available-for-sale financial assets	1,126,356,150	6,526	6,526	1,726
Noncurrent receivables and deposits - net	-	22,260	22,260	201
Restricted cash	-	1,817	1,817	1
		<b>P 389,909</b>	<b>P 389,909</b>	<b>P 3,880</b>

\* This represents net marked-to-market gains/losses from derivative assets and derivative liabilities that have matured during the year and those that are still outstanding as of year-end.

See Notes 39 and 40 to the Consolidated Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**ATTACHMENT TO SCHEDULE A - AVAILABLE-FOR-SALE FINANCIAL ASSETS**  
**DECEMBER 31, 2013**  
*(Amounts in Millions, Except No. of Shares Data)*

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotations at December 31, 2013 (a)
San Miguel Corporation		
Alabang Country Club	7	P 12
Ansor International	3,334	-
Apo Golf & Country Club	3	-
Baguio Country Club	1	1
Bancom Group Inc	999,546	-
Calatagan Golf Club	1	-
Camp John Hay	2	1
Canlubang Golf Club	3	2
Capitol Hills Golf & Country Club	1	-
Carmen Red Ltd.	-	5,139
Casino Espanol de Manila	2	-
Cebu Country Club	1	4
Celebrity Sports Plaza	3	-
Club Filipino	8	1
Continental Potash	7,909	-
Evercrest	2	-
Export & Industry Bank	940,560,000	-
Green Valley Club - Baguio	1	-
Greenfield Tennis Club	3	-
Iloilo Golf Club	1	-
Inter island Broadcasting Corp	4,458,928	-
Landgolf Inc	2	-
Makati Executive Center	1	-
Makati Sports Club	11	3
Manila Bankers Life	250,000	1
Manila Electric Company	100,331	1
Manila Golf & Country Club	3	44
Manila Polo Club	2	21
Manila Southwoods Golf & Country Club	1	1
Medical Doctors Inc.	83,379	13
Merchant Investment	41,660	-
Metropolitan Club	2	-
Metropolitan Theater	198	-
Mimosa Golf & Country Club	3	2
Monserrat Trading	1,000	-
Motor Services	52,500	-
Naga Telephone Co.	220	-
Negros Occidental Golf club	6	-
Norcem Philippines	80,000	-
Orchard Golf & Country Club	5	1
Pacific Club Corporate	1	-
Pantranco South Express	340,992	-
People's Press	1,500	-
Phil. Columbian Club	3	-
Phil. Dealing Sytem Holding Corp.	250,000	25
Phil. International Fair	500	-
Phil. Long Distance Tel. Co	230,594	2
Phil. Overseas Resources	10,000	-
Pilipino Telephone	600	-
Professional Services Inc	11,250	5
Puerto Azul Golf Club	3	-
Quezon City Sports Club	1	-
Sta Elena Properties	7	5
Sta Elena Golf Club	1	3
Sta Lucia Realty Golf Club	2	1
Subic Bay Yacht Club	1	-
Tagaytay Highland Golf and Country Club	2	2
Tagaytay Midlands Country Club	1	1
The Country Club - Canlubang	2	-
Universal Leisure Club	1	-
Valle Verde Golf Club	53	15
Valley Golf Club Inc.	2	1
Victorias Country Club	1	-

(a) if the cost of investment is less than P500,000, the amount column will show zero.

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotations at December 31, 2013 (a)
San Miguel Holdings Corp.		
Indophil Resources NL	48,016,960	P 314
Petron Corporation		
Government Security - PIID 0516 C107	-	77
PSALM (PSAL0717D019) Government Security - PIBD 0511 C622	-	58
Government Security - PIBD 0514 A673 (FXTN 5-67)	100,000,000	50
ROP Bonds	27,012,000	630
San Miguel International Limited		
Others	-	16
San Miguel Brewery Inc.		
Royal Orchid International Golf Club	1	2
Guangzhou Luhua Golf Club	1	-
HSBC Holdings	20,400	9
Pacific Club Kowloon	2	6
Hongkong Arts Centre Ltd.	1	-
The American Club Hong Kong	1	9
Hong Kong Football Club	1	6
Discovery Bay Golf Club	1	8
San Miguel Properties, Inc.		
Apo Golf & Country Club	1	1
Mimosa Golf & Country Club	4	1
Sta. Elena Golf & Country Club	1	3
Metro Club	1	-
Phil. Long Distance Tel Co	12,200	1
Meralco	273,118	8
Italia Country Club	89	-
Riviera Golf Course and Country Club	1	3
Tagaytay Midlands Country Club	1	-
Pacific Central Properties, Inc.		
Corporate Investment Phils Inc	200,000	-
Herald Publications	410	-
San Miguel Paper Packaging Corp		
Phil Long Distance Tel.	5,200	-
Evercrest Golf & Country Club	1	-
Orchard Golf & Country Club	1	1
Apo Golf & Country Club	1	-
Anchor Insurance Brokerage Corporation		
Phil. Long Distance Tel. Co.	50	-
Export & Industry Bank	766,000	-
San Miguel Yamamura Asia Corporation		
Manila Southwoods Golf & Country Club	1	-
Orchard Golf and Country Club	1	-
Evercrest Golf & Country Club	1	1
San Miguel Yamamura Packaging Corporation		
Canlubang Golf & Country Club	1	1
Manila Southwoods	1	-
Orchard Golf & Country Club	1	-
Puerto Azul	1	1
Manila Southwoods Golf and Country Club	1	-
Orchard Golf and Country Club	1	-
Philippine Longdistance Tel. Co.	1,800	-
Riviera Golf Club	1	-

(a) if the cost of investment is less than P500,000, the amount column will show zero.

Name of Issuing Entity	No. of Shares or Principal Amount of Bonds and Notes	Value Based on Market Quotations at December 31, 2013 (a)
San Miguel Pure Foods Company, Inc.		
Club Filipino	1	P -
Club Strata, Inc.	1	-
Makati Sports Club, Inc.	1	-
Philippine Long Distance Tel. Co.	1	1
Valle Verde Country Club	1	-
Capitol Hills Golf and Country Club, Inc.	1	-
Alabang Country Club	1	1
Golf Club Bogor Raya	1	-
Manila Southwoods Golf & Country Club	1	-
Sta Elena Golf Club	1	2
Manila Electric Co.	1	1
Tagaytay Highland Golf and Country Club	1	1
Club Filipino	1	-
Piltel	11,100	-
Royal Tagaytay Country Club	1	-
Orchard Golf and Country Club	1	-
Endless Vacation Club Phils. Inc.	2	-
Phil. Assoc. of Hod Raisers	14,388	-
Philippine Long Distance Tel. Co.	9,290	1
Makati Sports Club, Inc.	1	2
Casino Espanol	1	-
Vega Telecom, Inc.		
Makati Sport Club	6	1
MERALCO - SIP	8,493	-
Other Telecom Companies	2,520,000	3
<b>Total Available-for-Sale Financial Assets</b>	<b>1,126,356,150</b>	<b>P 6,526</b>

(a) if the cost of investment is less than P500,000, the amount column will show zero.

\* See Notes 4, 5, 13, 39 and 40 to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULE C - AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE/BALANCE ARISING FROM BUSINESS COMBINATION	ADDITIONS/ CURRENCY TRANSLATION ADJUSTMENTS/ RECLASS/ OTHERS	AMOUNTS COLLECTED/ CREDIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
San Miguel Corporation and Subsidiaries	P 2,571	P 3,525	(P 427)	P -	P 5,669	P 2,632	P 3,037	P 5,669
Top Frontier Investment Holdings, Inc.	551	2,955	(2,202)	-	1,304	1,304	-	1,304
	<u>P 3,122</u>	<u>P 6,480</u>	<u>(P 2,629)</u>	<u>P -</u>	<u>P 6,973</u>	<u>P 3,936</u>	<u>P 3,037</u>	<u>P 6,973</u>

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULE C - AMOUNTS PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED  
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS  
DECEMBER 31, 2013  
(Amounts in Millions)

NAME OF RELATED PARTY	BEGINNING BALANCE/BALANCE ARISING FROM BUSINESS COMBINATION	ADDITIONS/ CURRENCY TRANSLATION ADJUSTMENTS/ RECLASS/ OTHERS	AMOUNTS PAID/ DEBIT MEMO	AMOUNTS WRITTEN OFF	TOTAL	CURRENT	NONCURRENT	ENDING BALANCE
Top Frontier Investment Holdings, Inc.	P 2,424	P 3,662	(P 427)	P -	P 5,659	P 2,622	P 3,037	P 5,659
Clariden Holdings, Inc. and Subsidiaries	-	763	-	-	763	763	-	763
San Miguel Corporation and Subsidiaries	551	551	(551)	-	551	551	-	551
	<u>P 2,975</u>	<u>P 4,976</u>	<u>(P 978)</u>	<u>P -</u>	<u>P 6,973</u>	<u>P 3,936</u>	<u>P 3,037</u>	<u>P 6,973</u>

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS  
DECEMBER 31, 2013  
(Amounts in Millions)

**Part A - Goodwill and Other Intangible Assets**

Description	Beginning Balance/ Balance Arising from Business Combination	Additions	Disposal / Reclass to other Accounts	Charged to Costs and Expenses	Currency Translation Adjustments	Ending Balance
<b>Goodwill</b>	<b>P -</b>	<b>P 91,129</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P 91,129</b>
<b>Other Intangible Assets</b>						
<b>Cost:</b>						
Licenses	P 7,316	P -	(P 48)	P -	(P 45)	P 7,223
Trademarks and brand names	430	-	-	-	6	436
Airport concession rights	637	51	229	-	-	917
Toll road concession rights	13,136	176	-	-	-	13,312
Mineral rights and evaluation assets	15,358	9	-	-	-	15,367
Leasehold rights	30	-	-	-	-	30
Land use rights	1,516	-	-	-	36	1,552
Project development cost	11,039	1	-	-	-	11,040
Others	2,085	41	(22)	-	15	2,119
	<u>51,547</u>	<u>278</u>	<u>159</u>	<u>-</u>	<u>12</u>	<u>51,996</u>
<b>Accumulated Amortization and Impairment Losses:</b>						
Licenses	113	-	-	9	-	122
Trademarks and brand names	189	-	-	-	4	193
Airport concession rights	28	-	(6)	3	-	25
Toll road concession rights	245	-	-	13	-	258
Leasehold rights	-	-	-	-	-	-
Land use rights	489	-	-	9	12	510
Project development cost	-	-	-	-	-	-
Others	1,142	-	(6)	71	2	1,209
	<u>2,206</u>	<u>-</u>	<u>(12)</u>	<u>105</u>	<u>18</u>	<u>2,317</u>
<b>Carrying Amount</b>	<b><u>P 49,341</u></b>	<b><u>P 278</u></b>	<b><u>P 171</u></b>	<b><u>(P 105)</u></b>	<b><u>(P 6)</u></b>	<b><u>P 49,679</u></b>

See Notes 4, 5, 17 and 37 to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULE D - INTANGIBLE ASSETS AND OTHER ASSETS  
DECEMBER 31, 2013  
(Amounts in Millions)

**Part B - Other Noncurrent Assets**

Description	Beginning Balance/ Balance Arising from Business Combination	Additions	Charged to Cost and Expenses	Other Changes/ Reclassifications/ (Disposal)	Currency Translation Adjustments	Ending Balance
Noncurrent receivables and deposits - net	P 23,224	P 2,367	(P 58)	(P 3,409)	P 136	P 22,260
Deferred containers - net	6,943	1,539	(376)	(153)	(3)	7,950
Noncurrent prepaid rent	4,732	119	(277)	431	34	5,039
Others	10,390	492	127	3,890	(48)	14,851
	<u>P 45,289</u>	<u>P 4,517</u>	<u>(P 584)</u>	<u>P 759</u>	<u>P 119</u>	<u>P 50,100</u>

See Notes 4, 5, 18, 32, 34, 39 and 40 to the Consolidated Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE E - LONG-TERM DEBT**  
**DECEMBER 31, 2013**  
*(Amounts in Millions)*

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Total Long-term Debt - net	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
<b>PARENT:</b>													
<b>TOP FRONTIER INVESTMENT HOLDINGS, Inc.</b>													
Unsecured term notes:													
<i>Foreign currency - denominated</i>													
Floating	Maybank International Labuan Branch	P 28,857	P 28,857	(P 194)	P 28,663	P -	P -	P -	P 28,663	LIBOR plus agreed margin	Bullet	Quarterly	June 2014
		<u>28,857</u>	<u>28,857</u>	<u>(194)</u>	<u>28,663</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,663</u>				
<b>SUBSIDIARIES:</b>													
Bonds:													
<i>Peso denominated:</i>													
<b><i>San Miguel Brewery Inc.</i></b>													
Fixed	Philippine Depository & Trust Corp.	22,301	22,301	(14)	22,287	-	-	-	22,287	8.875%	Bullet	Semi-annual	April 2014
Fixed	Philippine Depository & Trust Corp.	2,810	-	-	-	2,810	(19)	2,791	2,791	10.50%	Bullet	Semi-annual	April 2019
Fixed	Philippine Depository & Trust Corp.	3,000	-	-	-	3,000	(21)	2,979	2,979	6.05%	Bullet	Semi-annual	April 2017
Fixed	Philippine Depository & Trust Corp.	10,000	-	-	-	10,000	(80)	9,920	9,920	5.93%	Bullet	Semi-annual	April 2019
Fixed	Philippine Depository & Trust Corp.	7,000	-	-	-	7,000	(62)	6,938	6,938	6.60%	Bullet	Semi-annual	April 2022
		<u>45,111</u>	<u>22,301</u>	<u>(14)</u>	<u>22,287</u>	<u>22,810</u>	<u>(182)</u>	<u>22,628</u>	<u>44,915</u>				
<b><i>SMC Global Power Holdings Corp.</i></b>													
Fixed	DB Trustees (Hongkong) Limited	13,318	-	-	-	13,318	(71)	13,247	13,247	7%	Bullet	Semi-annual	January 2016
Unsecured term notes:													
<i>Peso denominated:</i>													
<b><i>Petron Corporation</i></b>													
Fixed	Deutsche Bank AG, Hongkong Branch	20,000	-	-	-	20,000	(141)	19,859	19,859	7%	Bullet	Semi-annual	November 2017
Fixed	BPI Asset Management and Trust Group	5,200	5,200	(5)	5,195	-	-	-	5,195	8.1396%	Bullet	Semi-annual	June 2014
Fixed	BPI Asset Management and Trust Group	4,608	48	(8)	40	4,560	(13)	4,547	4,587	9.3292%	Amortized	Semi-annual	June 2016
Fixed	Rizal Commercial Banking Corporation	3,528	36	(4)	32	3,492	(26)	3,466	3,498	6.3212% and 7.1827%	Amortized	Semi-annual	October 2018 and 2021
		<u>33,336</u>	<u>5,284</u>	<u>(17)</u>	<u>5,267</u>	<u>28,052</u>	<u>(180)</u>	<u>27,872</u>	<u>33,139</u>				
<b><i>SMC PowerGen Inc.</i></b>													
Fixed	Philippine National Bank as Trustee and various banks	12,300	172	(30)	142	12,128	(153)	11,975	12,117	6.3131%	Amortized	Quarterly	September 2023
<b><i>SMC Shipping and Lighterage Corporation</i></b>													
Fixed	Security Bank Corporation	1,250	-	-	-	1,250	-	1,250	1,250	6.175%	Bullet	Quarterly	May 2016
Fixed	Security Bank Corporation	250	-	-	-	250	-	250	250	6.145%	Bullet	Quarterly	May 2016
		<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>				
<b><i>San Miguel Yamamura Asia Corporation</i></b>													
Fixed	hongkong and Shanghai Banking Corporation	1,270	1,270	(1)	1,269	-	-	-	1,269	7.25%	Bullet	Semi-annual	March 2014
<b><i>Ginebra San Miguel Inc.</i></b>													
Fixed	Security Bank Corporation	128	86	-	86	42	-	42	128	7.8850%	Amortized	Semi-annual	May 2015
Fixed	Security Bank Corporation	686	343	(2)	341	343	-	343	684	7.25%	Amortized	Semi-annual	May 2015
		<u>814</u>	<u>429</u>	<u>(2)</u>	<u>427</u>	<u>385</u>	<u>-</u>	<u>385</u>	<u>812</u>				
<b><i>San Miguel Foods, Inc.</i></b>													
Fixed	China Banking Corporation	230	-	-	-	230	-	230	230	5.4885%	Bullet	Quarterly	December 2015
Fixed	China Banking Corporation - Trust	53	-	-	-	53	-	53	53	5.4885%	Bullet	Quarterly	December 2015
Fixed	China Bank Savings, Inc. Trust as Trustee and various banks	17	-	-	-	17	(1)	16	16	5.4885%	Quarterly	Quarterly	December 2015
	Land Bank of the Philippines	500	-	-	-	500	(2)	498	498	5.4885%	Bullet	Quarterly	December 2015
		<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800</u>	<u>(3)</u>	<u>797</u>	<u>797</u>				
<b><i>Philnico Processing Corp.</i></b>													
Fixed	Equitable Bank	52	52	-	52	-	-	-	52	12%	Amortized	Semi Annual	December 2007
		<u>52</u>	<u>52</u>	<u>-</u>	<u>52</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>52</u>				
<b><i>San Miguel Corporation</i></b>													
Floating	Landbank of the Philippines	800	800	(1)	799	-	-	-	799	PDST-F for 3 months plus margin	Amortized	Quarterly	November 2014
Floating	Banco De Oro Unibank, Inc.	7,850	-	-	-	7,850	-	7,850	7,850	PDST-F for 3 months plus margin	Bullet	Quarterly	December 2015
		<u>8,650</u>	<u>800</u>	<u>(1)</u>	<u>799</u>	<u>7,850</u>	<u>-</u>	<u>7,850</u>	<u>8,649</u>				
<b><i>Private Infra Dev Corporation</i></b>													
Floating	Banco De Oro Unibank, Inc. as Trustee and various banks	7,000	105	(3)	102	6,895	(56)	6,839	6,941	5-year PDST-F plus margin	Amortized	Quarterly	September 2021
<b><i>San Miguel Foods, Inc.</i></b>													
Floating	Banco de Oro Unibank, Inc.	1,500	-	-	-	1,500	(6)	1,494	1,494	3-month PDST-F plus margin	Bullet	Quarterly	December 2015
Floating	China Banking Corporation	1,200	-	-	-	1,200	(4)	1,196	1,196	3-month PDST-F plus margin	Bullet	Quarterly	December 2015
Floating	Land Bank of the Philippines	500	-	-	-	500	(2)	498	498	3-month PDST-F plus margin	Bullet	Quarterly	December 2015
Floating	Maybank Philippines, Inc.	500	-	-	-	500	(2)	498	498	3-month PDST-F plus margin	Bullet	Quarterly	December 2015
		<u>3,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,700</u>	<u>(14)</u>	<u>3,686</u>	<u>3,686</u>				
<b><i>San Miguel Yamamura Packaging Corp.</i></b>													
Floating	Bank of Commerce	3,500	-	-	-	3,500	(14)	3,486	3,486	3-month PDST-F plus margin	Amortized	Quarterly	October 2019
<b><i>Trans Aire Development Holdings Corp.</i></b>													
Floating	Bank of Commerce	2,356	-	-	-	2,356	(12)	2,344	2,344	10-year PDST-F plus margin	Amortized	Quarterly	October 2022
<b><i>Star Infrastructure Development Corporation</i></b>													
Floating	Philippine National Bank as Trustee and various banks	2,090	-	-	-	2,090	(26)	2,064	2,064	7-year PDST-F plus margin	Amortized	Quarterly	July 2023
<b><i>East Pacific Star Bottlers Phils Inc.</i></b>													
Floating	Development Bank of the Philippines	572	115	-	115	457	-	457	572	3-month PDST-F plus margin	Amortized	Quarterly	September 2018
		<u>136,369</u>	<u>30,528</u>	<u>(68)</u>	<u>30,460</u>	<u>105,841</u>	<u>(711)</u>	<u>105,130</u>	<u>135,590</u>				

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
SCHEDULE E - LONG-TERM DEBT  
DECEMBER 31, 2013  
(Amounts in Millions)

TITLE OF ISSUE	AGENT / LENDER	Outstanding Balance	Current Portion of Debt	Current Transaction Cost	Amount Shown as Current	Noncurrent Portion of Debt	Noncurrent Transaction Cost	Amount Shown as Noncurrent	Total Long-term Debt - net	Interest Rates	Number of Periodic Installments	Interest Payments	Final Maturity
Unsecured term notes: <i>Foreign currency - denominated</i>													
<b><u>San Miguel Corporation</u></b>													
Fixed	DB Trustees (Hong Kong) Limited as	35,516	-	-	-	35,516	(482)	35,034	35,034	4.875%	Bullet		April 2023
Fixed	Trustee and various banks	9,536	9,536	(25)	9,511	-	-	-	9,511	2%	Bullet	Semi Annual	May 2014
	Bank of New York Mellon	45,052	9,536	(25)	9,511	35,516	(482)	35,034	44,545				
<b><u>San Miguel Corporation</u></b>													
Floating	Standard Chartered Bank	66,593	-	-	-	66,593	(1,352)	65,241	65,241	LIBOR plus agreed margin	Bullet	1/3/6 months	July 2015
Floating	Maybank International Labuan Branch	7,547	-	-	-	7,547	(147)	7,400	7,400	LIBOR plus agreed margin	Bullet	1/3/6 months	October 2018
		74,140	-	-	-	74,140	(1,499)	72,641	72,641				
<b><u>SMC Global Power Holdings Corp.</u></b>													
Floating	Standard Chartered Bank (Hongkong)	22,198	-	-	-	22,198	(473)	21,725	21,725	LIBOR plus agreed margin	Bullet	Quarterly	September 2018
	Limited as trustee and various banks												
<b><u>Petron Corporation</u></b>													
Floating	Standard Chartered Bank (Hong Kong)	21,532	3,076	(188)	2,888	18,456	(275)	18,181	21,069	LIBOR plus agreed margin	Amortized	Every 1, 3 or 6 months	November 2017
Floating	Limited	12,177	-	-	-	12,177	(198)	11,979	11,979	LIBOR plus agreed margin	Amortized	Every 1, 3 or 6 months	November 2016
	Standard Chartered Bank (Hong Kong)	33,709	3,076	(188)	2,888	30,633	(473)	30,160	33,048				
	Limited	175,099	12,612	(213)	12,399	162,487	(2,927)	159,560	171,959				
<b>Total Long-term Debt</b>													
		P 340,325	P 71,997	(P 475)	P 71,522	P 268,328	(P 3,638)	P 264,690	P 336,212				

See Notes 5, 21, 32, 39 and 40 to the Consolidated Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE F - INDEBTEDNESS TO RELATED PARTIES**  
**DECEMBER 31, 2013**  
**(Amounts in Millions)**

NAME OF RELATED PARTY	Beginning Balance	Ending Balance *
<b>Master Year Limited (MYL)</b>	P 8,350	P 9,377
<b>Bank of Commerce</b>		
Loans payable	-	2,775
Long-term debt	-	8,976
	<b>P 8,350</b>	<b>P 21,128</b>

\* The increase in indebtedness to related parties resulted from the consolidation of SMC Group's balance in 2013 and the translation adjustment and interest expense, net of payment, on the payable to MYL.

See Notes 19, 21 and 32 to the Consolidated Financial Statements.

**TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES**  
**SCHEDULE H - CAPITAL STOCK**  
**December 31, 2013**

<b>DESCRIPTION</b>	<b>NUMBER OF SHARES AUTHORIZED</b>	<b>NUMBER OF SHARES ISSUED</b>	<b>TREASURY SHARES</b>	<b>NUMBER OF SHARES OUTSTANDING</b>	<b>NUMBER OF SHARES HELD BY:</b>	
					<b>SUBSIDIARY</b>	<b>DIRECTORS, OFFICERS AND EMPLOYEES</b>
ISSUED SHARES						
COMMON STOCK	740,000,000	490,196,200	159,871,064	330,325,136	2,561,031	199,708,636
PREFERRED SHARES	2,600,000	1,904,540	1,904,540	-	1,904,540	-
	<b>742,600,000</b>	<b>492,100,740</b>	<b>161,775,604</b>	<b>330,325,136</b>	<b>4,465,571</b>	<b>199,708,636</b>

See Note 24 to the Consolidated Financial Statements.

TOP FRONTIER INVESTMENT HOLDINGS, INC. AND SUBSIDIARIES  
TRADE AND OTHER RECEIVABLES  
DECEMBER 31, 2013  
(Amounts in Millions)

			PAST DUE		
	TOTAL	CURRENT	1 - 30 DAYS	31 - 60 DAYS	OVER 60 DAYS
Trade	P 66,056	P 52,684	P 5,905	P 3,337	P 4,130
Non-trade	91,701	58,047	1,424	4,515	27,715
Others	16,278	16,183	6	-	89
Total	174,035	126,914	7,335	7,852	31,934
Allowance for impairment losses	8,450				
<b>Net</b>	<b>P 165,585</b>				



**R.G. Manabat & Co.**  
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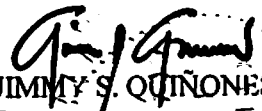
## **REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION**

The Board of Directors and Stockholders  
Top Frontier Investment Holdings, Inc.  
5<sup>th</sup> Floor, ENZO Building  
399 Sen. Gil Puyat Avenue, Makati City

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Top Frontier Investment Holdings, Inc. (the Company), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended and have issued our report thereon dated March 27, 2014.

Our audits were made for the purpose of forming an opinion on the financial statements of the Company taken as a whole. The supplementary information included in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

**R.G. MANABAT & CO.**

  
**JIMMY S. QUINONES**  
Partner

CPA License No. 0085650

SEC Accreditation No. 0679-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-072-024

BIR Accreditation No. 08-001987-17-2014

Issued January 22, 2014; valid until January 21, 2017

PTR No. 4225149MC

Issued January 2, 2014 at Makati City

March 27, 2014  
Makati City, Metro Manila

**TOP FRONTIER INVESTMENT HOLDINGS, INC.**  
**5<sup>th</sup> Flr. ENZO Bldg., Sen Gil Puyat Ave., Makati City**  
**RECONCILIATION OF RETAINED EARNINGS**  
**FOR DIVIDEND DECLARATION**  
(In Millions)

<b>Unappropriated Retained Earnings, January 1, 2013</b>	<b>P35,497</b>
Net loss actually incurred during the year	<b>(3,676)</b>
Dividend declarations during the year	<b>(266)</b>
Treasury shares - common	<b>(28,001)</b>
<b>TOTAL RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION, DECEMBER 31, 2013</b>	<b>P3,554</b>

ANNEX “F”

TOP FRONTIER INVESTMENT HOLDINGS, INC.

2013

MANAGEMENT’S DISCUSSION AND ANALYSIS  
OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE



## **MANAGEMENT'S DISCUSSION AND ANALYSIS** **OF FINANCIAL POSITION AND FINANCIAL PERFORMANCE**

This discussion summarizes the significant factors affecting the consolidated financial performance, financial position and cash flows of Top Frontier Investment Holdings, Inc. (Top Frontier or the Parent Company) and its subsidiaries (collectively referred to as the Group) for the year ended December 31, 2013 and the individual financial performance, financial position and cash flows of Top Frontier for the years ended December 31, 2012 and 2011. The following discussion should be read in conjunction with the attached audited consolidated statement of financial position of the Group as of December 31, 2013 and the individual financial position of Top Frontier as of December 31, 2012, and the related consolidated statements of income, comprehensive income, changes in equity and cash flows of the Group for the year ended December 31, 2013 and the individual statements of income, comprehensive income, changes in equity and cash flows of Top Frontier for the years ended December 31, 2012 and 2011. All necessary adjustments to present fairly the Group's consolidated financial position as of December 31, 2013 and the consolidated financial performance and cash flows for the year ended December 31, 2013 and the individual financial position of Top Frontier as of December 31, 2012 and the individual financial performance and cash flows for the years ended December 31, 2012 and 2011, have been made.

### **I. BASIS OF PREPARATION**

#### **Statement of Compliance**

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

#### **Basis of Measurement**

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

Items	Measurement Basis
Derivative financial instruments	Fair value
Financial assets at fair value through profit or loss (FVPL)	Fair value
Available-for-sale (AFS) financial assets	Fair value

*Forward*

Items	Measurement Basis
Defined benefit retirement asset (liability)	Fair value of the plan assets less the present value of the defined benefit retirement obligation
Agricultural produce	Fair value less estimated costs to sell at the point of harvest

#### Functional and Presentation Currency

The financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest million (P000,000), except when otherwise indicated.

#### Significant Accounting Policies

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

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards and interpretations as part of PFRS.

The Group has adopted the following PFRS effective January 1, 2013 and accordingly, changed its accounting policies in the following areas:

- Presentation of Items of Other Comprehensive Income (*Amendments to PAS 1, Presentation of Financial Statements*). The amendments: (a) require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future, if certain conditions are met, from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and (c) change the title of the statements of comprehensive income to statements of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRS continue to apply in this regard.

As a result of the adoption of the amendments to PAS 1, the Group has modified the presentation of items comprising other comprehensive income in the statements of comprehensive income. Items that may be reclassified to profit or loss subsequently are presented separately from items that will not be reclassified. The amendments affect presentation only and have no impact on the Group's financial position and performance. Comparative information has been re-presented accordingly.

- Disclosures: Offsetting Financial Assets and Financial Liabilities (*Amendments to PFRS 7, Financial Instruments: Disclosures*). The amendments include minimum disclosure requirements related to financial assets and financial liabilities that are: (a) offset in the statements of financial position; or (b) subject to enforceable master netting arrangements or similar agreements. They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing

amounts offset and not offset in the statements of financial position.

The adoption of these amendments did not have an effect on the financial statements.

- PFRS 10, *Consolidated Financial Statements*, introduces a new approach in determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it has power over an investee; (b) it is exposed or has rights to variable returns from its involvement with that investee; and (c) it has the ability to affect those returns through its power over that investee. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008), *Consolidated and Separate Financial Statements*, and Philippine Interpretation Standards Interpretation Committee (SIC) 12, *Consolidation - Special Purpose Entities*.

As a result of the adoption of PFRS 10, the Group reassessed control over its investees based on the new control model effective January 1, 2013. The reassessment resulted in changes in consolidation conclusion and in the current accounting for an investee.

- PFRS 11, *Joint Arrangements*, focuses on the rights and obligations of joint arrangements, rather than the legal form. The new standard: (a) distinguishes joint arrangements between joint operations and joint ventures; and (b) eliminates the option of using the equity method or proportionate consolidation for jointly controlled entities that are now called joint ventures, and only requires the use of equity method. PFRS 11 supersedes PAS 31, *Interests in Joint Ventures*, and Philippine Interpretation SIC 13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

The adoption of the new standard did not have a significant effect on the financial statements.

- PFRS 12, *Disclosure of Interests in Other Entities*, contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities. The new standard provides information that enables users to evaluate: (a) the nature of, and risks associated with, an entity's interests in other entities; and (b) the effects of those interests on the entity's financial position, financial performance and cash flows.

As a result of the adoption of PFRS 12, the Group has expanded the disclosures on its interests in other entities.

- *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*. The amendments simplify the process of adopting PFRS 10, PFRS 11, and PFRS 12 and provide a relief from the disclosures in respect of unconsolidated structured entities. Depending on the extent of comparative information provided in the consolidated financial statements, the amendments simplify the transition and provide additional relief from the disclosures that could have been onerous. The amendments limit the restatement of comparatives to the immediately preceding period; this applies to the full suite of standards. Entities that provide comparatives for more than one period have the option of leaving additional comparative periods unchanged. In addition, the date of initial application is now defined in PFRS 10 as the beginning of the annual reporting

period in which the standard is applied for the first time. At this date, an entity tests whether there is a change in the consolidation conclusion for its investees.

The Group has applied the transitional provision of the amendments to PFRS 10 and PFRS 12.

- PFRS 13, *Fair Value Measurement*, replaces the fair value measurement guidance contained in individual PFRS with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRS. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

The adoption of the new standard did not have a significant effect on the measurement of the Group's assets and liabilities. Additional disclosures are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- PAS 19, *Employee Benefits* (Amended 2011). The amendments include the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change removes the corridor method and eliminates the ability of entities to recognize all changes in the defined benefit retirement obligation and plan assets in profit or loss; and (b) interest income on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit retirement obligation.

As a result of the adoption of the amendments to PAS 19, the Group has changed its accounting policy with respect to the basis for determining the income or expense related to its post-employment defined benefit retirement plan. Actuarial gains and losses are recognized immediately in other comprehensive income and the corridor method was eliminated. Also, the interest income on plan assets recognized in profit or loss is now calculated based on the rate used to discount the defined benefit retirement obligation.

- PAS 28, *Investments in Associates and Joint Ventures* (2011), supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

The adoption of these amendments did not have an effect on the financial statements.

- *Improvements to PFRS 2009-2011* contain amendments to 5 standards with consequential amendments to other standards and interpretations.
  - *Comparative Information beyond Minimum Requirements (Amendments to PAS 1)*. The amendments clarify the requirements for comparative information that

are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third statement of financial position (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required.

The adoption of these amendments did not have an effect on the financial statements.

- Presentation of the Opening Statement of Financial Position and Related Notes (*Amendments to PAS 1*). The amendments clarify that: (a) the opening statement of financial position is required only if there is: (i) a change in accounting policy; (ii) a retrospective restatement; or (iii) a reclassification which has a material effect upon the information in the statement of financial position; (b) except for the disclosures required under PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, notes related to the opening statement of financial position are no longer required; and (c) the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements. The amendments explain that the requirements for the presentation of notes related to the additional comparative information and those related to the opening statement of financial position are different, because the underlying objectives are different.

The adoption of these amendments did not have an effect on the financial statements.

- Classification of Servicing Equipment (*Amendments to PAS 16, Property, Plant and Equipment*). The amendments clarify the accounting of spare parts, stand-by equipment and servicing equipment. The definition of property, plant and equipment in PAS 16 is now considered in determining whether these items should be accounted for under this standard. If these items do not meet the definition, then they are accounted for using PAS 2, *Inventories*.

The adoption of these amendments did not have a significant effect on the financial statements.

- Income Tax Consequences of Distributions (*Amendments to PAS 32, Financial Instruments Presentation*). The amendments clarify that PAS 12, *Income Taxes* applies to the accounting for income taxes relating to: (a) distributions to holders of an equity instrument; and (b) transaction costs of an equity transaction. The amendments remove a perceived inconsistency between PAS 32 and PAS 12. Before the amendments, PAS 32 indicated that distributions to holders of an equity instrument are recognized directly in equity, net of any related income tax.

However, PAS 12 generally requires the tax consequences of dividends to be recognized in profit or loss. A similar consequential amendment has also been made to Philippine Interpretation IFRIC 2, *Members' Share in Co-operative Entities and Similar Instruments*.

The adoption of these amendments did not have an effect on the financial statements.

- Segment Assets and Liabilities (*Amendments to PAS 34*). This is amended to align the disclosure requirements for segment assets and segment liabilities in the interim consolidated financial statements with those in PFRS 8, *Operating Segments*. PAS 34 now requires the disclosure of a measure of total assets and liabilities for a particular reportable segment. In addition, such disclosure is only required when: (a) the amount is regularly provided to the chief operating decision maker; and (b) there has been a material change from the amount disclosed in the last annual consolidated financial statements for that reportable segment.

The adoption of these amendments did not have an effect on the financial statements.

Additional disclosures required by the new or revised standards, amendments to standards and interpretations were included in the financial statements, where applicable.

## II. 2013 SIGNIFICANT TRANSACTIONS

### ▪ Acquisition of Clariden Holdings, Inc. (Clariden)

On August 15, 2013, the Parent Company executed a Share Purchase Agreement (the Agreement) with San Miguel Corporation (SMC), for the Parent Company's purchase of 100% of the outstanding and issued shares of stock of Clariden, a company incorporated in the Philippines, the assignment of the subscription rights of SMC in Clariden to the Parent Company, and the assignment of the advances by SMC in Clariden and certain subsidiaries of Clariden in favor of the Parent Company. The acquisition of Clariden and all of SMC's rights and interests therein was authorized by the Board of Directors (BOD) of the Parent Company during its meeting held on August 12, 2013.

On August 30, 2013 (the Closing Date), the transaction was completed with the Parent Company and SMC executing the following: (i) the Deed of Absolute Sale of Shares covering 100% of the Clariden shares owned by SMC for a total consideration of P2,135 million, (ii) and the Deed of Assignment of Receivables covering SMC's receivables in Clariden and its subsidiaries totaling P725 million.

On September 6, 2013, the Parent Company and SMC, with the conformity of Clariden, executed the Deed of Assignment of Subscription Rights for P604 million, recognized as advances for investment in shares of stock of Clariden. Transaction costs incurred and capitalized as part of the cost of investment and advances for investment amounted to P4 million and P1 million, respectively.

Pursuant to the Agreement, as partial payment of the consideration for the purchase of the Clariden shares and the assignment of the subscription rights, the Parent Company paid an initial

payment of P427 million on September 9, 2013 to SMC. The remaining balance of the total consideration for the purchase of the shares and the assignment of the subscription rights, amounting to P2,312 million, is payable in two installments. The first payment amounting to P1,099 million, inclusive of 5.75% interest per annum, is payable at the end of 5<sup>th</sup> year from Closing Date, while the remaining balance of P1,213 million, inclusive of 6.00% interest per annum, is to be settled at the end of 7<sup>th</sup> year from Closing Date.

The consideration for the assignment of receivables amounting to P725 million is payable in five equal installments beginning from the first anniversary of commercial operations of the Nonoc Project, a project primarily focused in extracting nickel deposits in Nonoc Island, Surigao City, Surigao del Norte undertaken by Pacific Nickel Philippines, Inc., an indirect subsidiary of Clariden. Amounts owed to SMC are subject to 5.75% interest per annum and shall accrue upon commencement of commercial operations.

The Nonoc Project has not yet resumed commercial operations as of March 27, 2014.

The transaction resulted to the consolidation of Clariden effective August 30, 2013. Goodwill recognized as a result of the acquisition amounting P1,649 million is attributable to the benefit of expected revenue growth and future development.

▪ **Consolidation of SMC**

On October 17, 2013, the BOD of SMC approved the declaration, by way of property dividends, of 240,196,000 common shares of the Parent Company to the SMC common shareholders of record (the “Receiving Shareholders”) as of November 5, 2013. The SEC approved the property dividend declaration on November 19, 2013, and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue (BIR) on December 26, 2013.

The Receiving Shareholder is entitled to receive one (1) common share of the Parent Company for every ten (10) common shares of SMC. Fractional shares below 10 were dropped. The fair value of the Parent Company’s common shares is P178.00 per share, based on the Valuation and Fairness Opinion rendered by an independent advisor engaged by SMC.

The property dividend distribution resulted in SMC’s public shareholders owning about 11.8% of the Parent Company.

The Parent Company, being a shareholder of SMC, received 157,310,033 of its own common shares equivalent to P28,001 million recognized as “Treasury stock” and “Additional paid-in capital” accounts in the consolidated statement of changes in equity as of December 31, 2013.

The declaration of the property dividends eliminated the cross ownership between the Parent Company and SMC, which resulted to the reclassification of the Parent Company’s investment in SMC’s common shares from AFS financial assets to investment in shares of stock of subsidiaries and consolidation of SMC effective October 17, 2013.

▪ **Listing of Top Frontier Common Shares**

On December 18, 2013, The Philippine Stock Exchange, Inc. (PSE) approved the application of the Parent Company for the listing by way of introduction of all its common shares. The shares were listed in the PSE on January 13, 2014.

▪ **Consolidation of Private Infra Dev Corporation (PIDC)**

SMC through Rapid Thoroughfares Inc. (Rapid), a wholly-owned subsidiary of San Miguel Holdings Corp. (SMHC), initially had a 35% equity interest in PIDC. PIDC is a company primarily engaged in the business of construction and development of various infrastructure projects such as roads, highways, toll roads, freeways, skyways, flyovers, viaducts and interchanges. PIDC holds the toll road concession rights representing the contract to finance, design, construct, operate and maintain the Tarlac-Pangasinan-La Union Toll Expressway (TPLEX or the TPLEX Project).

On September 12, 2011, Rapid advanced P1,111 million as deposit for future stock subscription to 1,111,228 common shares of PIDC. As of December 31, 2012, one of the conditions for the issuance of the subscribed shares to Rapid has not yet been met.

On December 27, 2013, the Toll Regulatory Board approved the issuance of stock certificates to Rapid covering the 1,111,228 common shares of PIDC representing additional 10% equity interest, thereby increasing Rapid's ownership interest in PIDC to 45%.

With the increase in ownership interest in PIDC to 45%, Rapid determined that it controls PIDC effective December 27, 2013.

### III. FINANCIAL PERFORMANCE

#### 2013 vs. 2012

Comparisons of key financial performance for the last three years are summarized in the following tables.

	<b>Years Ended December 31</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
		<i>(In Millions)</i>	
Sales	<b>P205,157</b>	P -	P -
Gross Profit	<b>31,520</b>	-	-
Selling and Administrative Expenses	<b>(22,576)</b>	(157)	(372)
Financing Charges - Net	<b>(9,397)</b>	(2,191)	(1,839)
Equity in Net Earnings of Associates and Joint Ventures	<b>21</b>	-	-
Gain on Sale of Investments, Available-for-sale Financial Assets and Property and Equipment	<b>30,756</b>	-	1,138
Other Charges - Net	<b>(5,070)</b>	(10,084)	(10,063)
Net Income (Loss)	<b>23,662</b>	(12,433)	(11,137)
Net Income (Loss) Attributable to Equity Holders of the Parent Company	<b>10,437</b>	(12,433)	(11,137)

### **2013 vs. 2012**

The financial performance of the Group in 2013 consists of the results of operations of: a) SMC from October 17 to December 31, 2013; b) Clariden from August 30 to December 31, 2013; and c) the Parent Company for the year ended December 31, 2013. The financial performance for the years ended December 31, 2012 and 2011 represents the results of operations of the Parent Company since SMC and Clariden were consolidated effective 2013.

The financial performance of the Group in 2013 significantly represents the results of operations of SMC from October 17 to December 31, 2013.

Consolidated sales revenue amounted to P205,157 million which represents the sales revenue from October 17 to December 31, 2013 of SMC and its subsidiaries, particularly, Petron Corporation (Petron), San Miguel Pure Foods Company, Inc. (SMPFC), San Miguel Brewery Inc. (SMB) and SMC Global Power Holdings Corp. (SMC Global).

The corresponding consolidated income from operations amounted to P8,944 million.

The gain from the sale of the Manila Electric Company (Meralco) shares of stock amounting to P30,717 million and dividend income mainly from SMC up to the third quarter amounting to P1,721 million, were partly offset by financing charges of about P9,397 million and foreign exchange losses amounting to P6,867 million. As a result, consolidated net income before non-controlling interests amounted to P23,662 million, while net income attributable to equity holders of the Parent Company is P10,437 million.

Net income attributable to non-controlling interests amounting to P13,225 million consists of the share of non-controlling stockholders in the net income of mainly SMC, SMB, SMPFC and Petron.

### **2012 vs. 2011**

In 2012, the Parent Company's operating expenses presented under "Selling and administrative expenses" were P157 million, a decrease of 57.7% compared to P372 million in 2011. This decrease in operating expenses was largely due to the decline in professional fees to P7 million in 2012 from P371 million in 2011. Professional fees were incurred in 2011 in relation to the Parent Company's acquisitions.

In 2012, the Parent Company incurred P2,197 million in financing charges, an increase of 18.8% from P1,850 million in 2011 due to an increase in debt resulting from the Parent Company's availment of a finance facility amounting to US\$650 million in June 2012.

For the years ended December 31, 2012 and 2011, "Other charges" consist of the following:

<i>(In Millions)</i>	2012	2011
Dividend income	P 2,665	P 1,568
Foreign exchange gains	2,010	72
Losses on derivative assets	(14,759)	(11,703)
	(P10,084)	(P10,063)

The Parent Company's dividend income from SMC increased by 70% from P1,568 million in 2011 to P2,665 million in 2012. This reflected the increase in dividends paid by SMC as well as the increase in dividend income arising from the purchase by the Parent Company of additional SMC common shares in June 2012.

In 2012, the Parent Company incurred a P14,759 million loss on derivative assets, a 26% increase from a P11,703 million loss in 2011. The assignment of its rights to exercise the option to acquire the SMC common shares from the group of 44 companies in favor of Master Year Limited (MYL) and the exercise of the option to acquire the remaining SMC common shares in June 2012, resulted to the recognition of loss on derivative assets amounting to P14,354 million in 2012. The Parent Company recognized marked to market loss of P405 million and P11,703 million for the year ended December 31, 2012 and 2011, respectively, due to the changes in the fair values of the SMC common shares.

The Parent Company recognized a net foreign exchange gain of P2,010 million in 2012, a significant increase from P72 million in 2011. This comprised largely of unrealized foreign exchange gain amounting to P1,952 million resulting from the translation of the Parent Company's net foreign-currency denominated liabilities consisting mainly of loans and advances from shareholders.

#### **IV. FINANCIAL POSITION**

##### **2013 vs. 2012**

Consolidated total assets and liabilities primarily consists of the balances of SMC as of December 31, 2013.

Consolidated total assets amounted to P1,192,554 million, of which P1,086,786 million came from the consolidated balances of SMC.

Cash and cash equivalents amounted to P191,813 million in 2013 compared to P203 million in 2012 primarily due to the consolidation of SMC and its subsidiaries' cash balance amounting to P191,613 million.

Trade and other receivables amounting to P165,585 million consist mainly of trade receivables from customers of Petron, SMC Global, SMPFC and SMB.

Inventories primarily consist of the finished goods and in process, materials and supplies and containers of Petron, SMPFC, Ginebra San Miguel, Inc. (GSMI), SMB, the packaging subsidiaries of SMC and SMC Global.

Biological assets pertain to SMPFC's breeding stocks, growing hogs, cattle and poultry livestock.

Prepaid expenses and other current assets include prepaid taxes and licenses mainly of Petron, South Premiere Power Corp. (SPPC), San Miguel Energy Corp. (SMEC) and SMC PowerGen, Inc., raw land inventory and real estate projects of San Miguel Properties, Inc. (SMPI) and the construction in progress for the Boracay Airport of Trans Aire Development Holdings Corp.

Assets held for sale primarily consist of SMPI's investment in the shares of stock of Bank of Commerce which are intended for sale.

Investments and advances mainly include the carrying amount of the investments in Trustmark Holdings Corporation and Zuma Holdings and Management Corporation, Atlantic Aurum Investments BV (Atlantic), Northern Cement Corporation and Liberty Telecoms Holdings, Inc.

Available-for-sale financial assets consist mainly of the investment of SMC in preferred shares of Carmen Red Ltd., and of Coastal View Exploration Corporation in Indophil Resources NL. Property, plant and equipment consists mainly of the balances of: a) SMC Global's power plants; b) Petron's Refinery Master Plan Phase 2 (RMP 2) Project, refinery and plant equipment and service stations and other equipment; and c) Golden Bay Grain Terminal Corporation's grain terminal in Batangas.

Investment properties represent primarily the costs of SMPI's Makati Diamond Project.

Deferred tax assets mainly represents deferred taxes recognized by SMC and subsidiaries on the allowance for impairment losses on receivables and inventories, Net Operating Loss Carry Over and unrealized foreign exchange losses, net of the deferred tax on the undistributed net earnings of foreign subsidiaries.

Goodwill amounting to P89,480 million and P1,649 million was recognized from the consolidation of SMC and Clariden, respectively.

Other intangible assets primarily consist of the toll road concession rights and project development costs for the various infrastructure projects of SMC (TPLEX, Southern Tagalog Arterial Road (STAR) Project and Ninoy Aquino International Airport (NAIA) Expressway Project); airport concession rights to operate the Boracay Airport, Clariden Group's mineral rights and evaluation assets; mining rights recognized for the coal mining subsidiaries of SMEC and the licenses recognized for the Telco businesses of Vega Telecom, Inc.

Other noncurrent assets mainly include noncurrent receivables from Petron Corporation Employee Retirement Plan (PCERP) and Atlantic, capitalized costs for the development of the MRT 7 Project, deferred containers, retirement assets and noncurrent prepaid rent.

The outstanding short-term loans payable mainly consists of loans availed of by Petron, GSMI, SMPI, SMPFC and SMC.

Accounts payable and accrued expenses amounting to P128,071 million consist mainly of: a) trade payables of Petron, SMC Global and SMPFC; b) non-trade payables such as freight payable, contract growers/breeders' fees, guarantee deposit and other expenses payable to third parties; and c) payable to related parties.

Finance lease liability mainly includes the liability of SMEC, Strategic Power Devt. Corp. and SPPC to the Power Sector Assets and Liabilities Management Corporation, relative to the acquisition of the Sual Coal - Fired Power Station, San Roque Multi-Purpose Hydroelectric Power Plant and Ilijan Natural Gas - Fired Combined Cycle Power Plant, respectively.

Income and other taxes payable includes income tax payable for the period, excess output Value-added Tax (VAT) payable and taxes withheld at source.

Dividends payable pertains to the dividend declared by SMC in 2013 to common and preferred stockholders which were subsequently paid on February 7 and March 14, 2014, respectively.

The Group's long-term debt were primarily availed of by SMC, Petron, SMC Global, SMB and Top Frontier which were mainly used to finance capital expenditures (i.e., RMP2 Project, Solid Fuel-Fired Power Plant in Limay, Bataan, Stage II, Phase I of Southern Tagalog Arterial Road Project and the Boracay Airport), new investments and for general working capital purposes.

Other noncurrent liabilities include Clariden's payable to the Privatization Management Office on the purchase of shares of stock of Philnico Holdings, Ltd., retirement liabilities and Petron's retention payable to the contractors of its capital projects.

Non-controlling interests represents mainly the share of the non-controlling stockholders in the net assets of mainly SMC, Petron, SMPFC, SMB, Infra Group and San Miguel Yamamura Packaging Corporation.

Reserve for retirement plan pertains to the recognition of actuarial gain on remeasurement of the defined benefit obligation mainly by Petron.

Revaluation increment pertains to the effect of the acquisition of the remaining 35% non-controlling interest in San Miguel Yamamura Australasia Pty. Ltd. by San Miguel Yamamura Packaging International Limited.

Cumulative translation adjustments represent the foreign currency translation differences of the Group's net assets from foreign operations, fair value adjustments on the investments in AFS financial assets and share in other comprehensive income (loss) of associates and joint ventures.

Treasury stock represents Top Frontier's preferred shares redeemed in 2012, own common shares received as property dividend from SMC and SMC's investment in common and preferred shares of Top Frontier which were reclassified to treasury stock upon consolidation.

## Equity

The increase in equity is due to:

<i>(In Millions)</i>	<b>2013</b>
Addition to non-controlling interests and others	<b>P236,171</b>
Net income for the period	<b>23,662</b>
Other comprehensive income - net	<b>164</b>
Payment of cash dividends	<b>(5,190)</b>
Change on fair value of available-for-sale financial assets for the period	<b>(12,008)</b>
Own shares held by a subsidiary	<b>(35,880)</b>
	<b>P206,919</b>

**2012 vs. 2011**

Cash and cash equivalents as of December 31, 2012 amounted to P203 million, 606% higher than the P29 million in the same period in 2011. This is mainly due to cash dividends received from SMC in November 2012.

As of December 31, 2012, the receivables balance of P551 million represents the dividends receivable from SMC for the dividends declared in December 2012 and received in January 2013.

As of December 31, 2012, the Parent Company's prepaid expenses and other current assets amounted to P10 million as compared P9 million in 2011, an increase of 11% due to input taxes paid on brokers' commission incurred in relation to the purchase of additional SMC common shares in June 2012.

The Parent Company had no outstanding advances for investment in shares of stock as of December 31, 2012, with the application of the advances of P9,393 million (outstanding as of December 31, 2011) as payment for the exercise of the option to acquire the remaining SMC common shares in June 2012.

As of December 31, 2012, the Parent Company has no outstanding derivative assets and premium liability, with the assignment of its rights to exercise the option from the group of 44 companies in favor of MYL and the exercise of the option to acquire the remaining shares in June 2012 .

The decrease in other noncurrent assets amounting to P0.123 million or 33% as compared to the balance as of December 31, 2011 represents amortization of computer software.

The decrease in accounts payable and other current liabilities by 55% from P23,834 million as of December 31, 2011 to P10,826 million as of December 31, 2012 is primarily due to the payment of amounts owed to related parties.

The balance of long-term debt - net of debt issue costs as of December 31, 2012 amounting to P26,099 million represents the US\$650 million loan availed on June 19, 2012.

The decrease of 48% in cumulative translation adjustments from P26,426 million as of December 31, 2011 to P13,727 million as of December 31, 2012 represents the change in fair market value (FMV) of SMC common shares. The FMV of SMC common shares amounted to P105.40 per share and P116.8 per share as of December 31, 2012 and 2011, respectively.

Treasury stock amounting to P12,899 million as of December 31, 2012 represents the 693,500 Preferred Shares redeemed in June 2012.

## Equity

The decrease in equity is due to:

<i>(In Millions)</i>	2012
Partial redemption of preferred shares	(P12,899)
Change in fair value of available-for-sale financial assets for the period	(12,699)
Net loss for the period	(12,433)
Payment of cash dividends	(1,860)
	(P39,891)

## V. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

<i>(In Millions)</i>	<b>December 31</b>		
	2013	2012	2011
Net cash flows provided by (used in) operating activities	P27,671	(P2,517)	(P2,176)
Net cash flows provided by (used in) investing activities	187,531	2,121	(6,657)
Net cash flows provided by (used in) financing activities	(24,597)	572	8,080

Net cash from operations basically consists of income (loss) for the period and changes in noncash current assets, certain current liabilities and others.

Major components of net cash flows provided by (used in) investing activities are as follows:

	<b>December 31</b>		
	2013	2012	2011
	<i>(In Millions)</i>		
Interest received	<b>P727</b>	P6	P11
Dividends received from an associate and available-for-sale financial assets	<b>1,791</b>	2,115	1,568
Proceeds from sale of investments, available-for-sale financial assets and property and equipment	<b>41,572</b>	-	12,897
Acquisitions of subsidiaries, net of cash and cash equivalents acquired	<b>178,138</b>	-	-
Increase in other noncurrent assets and others	<b>(4,067)</b>	-	-
Additions to investments and advances and available-for-sale financial assets	<b>(16,773)</b>	-	(21,133)
Additions to property, plant and equipment	<b>(13,857)</b>	-	-

Major components of cash flow provided by (used in) financing activities are as follows:

	<b>December 31</b>		
	<b>2013</b>	<b>2012</b>	<b>2011</b>
	<i>(In Millions)</i>		
Net payments of short-term borrowings	<b>(P 13,673)</b>	P -	P -
Payments of finance lease liabilities	<b>(4,897)</b>	-	-
Cash dividends paid	<b>(4,310)</b>	(1,860)	(1,087)
Net proceeds (payments) of long-term borrowings	<b>(1,109)</b>	27,489	-
Decrease in non-controlling interests	<b>(608)</b>	-	-
Partial redemption of preferred shares	-	(12,899)	-
Availment (payments) of amounts owed to related parties	-	(12,158)	9,167

The effect of exchange rate changes on cash and cash equivalents amounted to P1,005 million and (P2 million) in December 31, 2013 and 2012, respectively.

## VI. ADDITIONAL INFORMATION ON UNAPPROPRIATED RETAINED EARNINGS

The following items are not available for declaration as dividends:

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
	<i>(In Millions)</i>	
Accumulated earnings in subsidiaries and equity in net earnings of associates and joint ventures	<b>P14,389</b>	P -
Treasury stock – common	<b>(28,457)</b>	-

## VII. KEY PERFORMANCE INDICATORS

The following are the major performance measures that the Group uses. Analyses are employed by comparisons and measurements based on the financial data of the current period against the same period of previous year. Please refer to Item II “Financial Performance” for the discussion of certain Key Performance Indicators.

	<b>December 31</b>	
	<b>2013</b>	<b>2012</b>
Liquidity:		
Current Ratio	<b>1.30</b>	0.07
Solvency:		
Debt to Equity Ratio	<b>2.54</b>	0.29
Asset to Equity Ratio	<b>3.54</b>	1.29
Profitability:		
Return on Average Equity Attributable to Equity Holders of the Parent Company	<b>9.46%</b>	(8.32%)
Interest Rate Coverage Ratio	<b>3.13</b>	1.14

	<b>December 31</b>	
	<b>2013</b>	2012
Operating Efficiency:		
Volume Growth	<b>N.A.</b>	N.A.
Revenue Growth	<b>N.A.</b>	N.A.
Operating Margin	<b>4.36%</b>	N.A.

The manner by which the Group calculates the key performance indicators is as follows:

<b>KPI</b>	<b>Formula</b>
Current Ratio	$\frac{\text{Current Assets}}{\text{Current Liabilities}}$
Debt to Equity Ratio	$\frac{\text{Total Liabilities (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Asset to Equity Ratio	$\frac{\text{Total Assets (Current + Noncurrent)}}{\text{Equity + Non-controlling Interests}}$
Return on Average Equity	$\frac{\text{Net Income Attributable to Equity Holders of the Parent Company}}{\text{Average Equity Attributable to Equity Holders of the Parent Company}}$
Interest Rate Coverage Ratio	$\frac{\text{Earnings Before Interests, Taxes, Depreciation and Amortization}}{\text{Interest Expense and Other Financing Charges}}$
Volume Growth	$\left( \frac{\text{Sum of all Businesses' Revenue at Prior Period Prices}}{\text{Prior Period Net Sales}} \right) - 1$
Revenue Growth	$\left( \frac{\text{Current Period Net Sales}}{\text{Prior Period Net Sales}} \right) - 1$
Operating Margin	$\frac{\text{Income from Operating Activities}}{\text{Net Sales}}$

## **VIII. OTHER MATTERS**

### ▪ Events After the Reporting Date

#### a. *Issuance of Philippine Peso-denominated Bonds by SMB*

The BOD of SMB approved on its meeting on February 7, 2014, the issuance by SMB of Philippine peso-denominated bonds of up to P15,000 million, subject to an option on the part of SMB to increase the amount by up to P5,000 million in case of an oversubscription. The bond issuance will have a minimum tenor of seven years and a maximum of 15 years. The proceeds thereof will be used to refinance Series B of the P38,800 million Bonds, maturing on April 4, 2014. The BOD has also delegated to the Management of SMB the authority to determine, negotiate and finalize the terms and conditions of the issuance, including the interest rates, tenor and listing thereof.

b. *Sale of 470,000,000 Petron Common Shares by PCERP*

On March 26, 2014, PCERP sold 470,000,000 common shares of Petron at a price of P11.50 per share through the facilities of PSE with settlement date of April 1, 2014.

▪ Contingencies

The Group is a party to certain lawsuits or claims (mostly labor related cases) filed by third parties which are either pending decision by the courts or are subject to settlement agreements. The outcome of these lawsuits or claims cannot be presently determined. In the opinion of management and its legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material effect on the financial statements of the Group.

a. Treasury Shares of SMC

A portion of the total treasury shares of SMC came from 25,450,000 common shares, with an acquisition cost of P481 million, [net of the cost of the 1,000,000 shares paid to the Presidential Commission on Good Government (PCGG) as arbitral fee pursuant to the Compromise Agreement, as herein defined] which were reverted to treasury in 1991 upon implementation of the Compromise Agreement and Amicable Settlement (Compromise Agreement) executed by SMC with the United Coconut Planters Bank (UCPB) and the Coconut Industry Investment Fund (CIIF) Holding Companies in connection with the purchase of SMC shares under an agreement executed on March 26, 1986.

Certain parties have opposed the Compromise Agreement. The right of such parties to oppose, as well as the propriety of their opposition, has been the subject matters of cases before the Sandiganbayan and the Supreme Court.

On September 14, 2000, the Supreme Court upheld a Sandiganbayan Resolution requiring SMC to deliver the 25,450,000 common shares that were reverted to treasury in 1991 to the PCGG and to pay the corresponding dividends on the said shares (the "Sandiganbayan Resolution").

On October 10, 2000, SMC filed a motion for reconsideration with the Supreme Court to be allowed to comply with the delivery and payment of the dividends on the treasury shares only in the event that another party, other than SMC, is declared owner of the said shares in the case for forfeiture (Civil Case) filed by the Philippine government (Government).

On April 17, 2001, the Supreme Court denied the motion for reconsideration.

On January 29, 2004, the external legal counsel made the additional recommendation that SMC should file a Complaint-in-Intervention in the Civil Case (now particularly identified as SB Civil Case No. 0033-F), the forfeiture case brought by the Government involving the so-called CIIF block of SMC shares of stock of which the treasury shares were no longer a portion. The Complaint-in-Intervention would pray that any judgment in the Civil Case forfeiting the CIIF

block of SMC shares of stock should exclude the treasury shares.

In a Resolution dated May 6, 2004, the Sandiganbayan denied the Complaint-in-Intervention. The external legal counsel filed a Motion for Reconsideration, which was denied by the Sandiganbayan in its Decision dated November 28, 2007.

Upon advise of external counsel, the Executive Committee of SMC approved the following on January 18, 2008, which was ratified by the BOD on March 6, 2008, to wit: (i) recognition of SMC's right to the treasury shares on the basis that the Compromise Agreement is valid and binding on the parties thereto; and (ii) take the position that SMC and UCPB had already implemented the Compromise Agreement voluntarily, and that the PCGG had conformed to the Agreement and its implementation.

On July 23, 2009, the stockholders of SMC approved the amendment of the Articles of Incorporation to issue Series "1" preferred shares, and the offer to exchange common shares to Series "1" preferred shares. The PCGG, with the approval of the Supreme Court in its Resolution dated September 17, 2009, converted the sequestered common shares in SMC in the name of the CIIF Holding Companies, equivalent to 24% of the outstanding capital stock, into Series "1" preferred shares. On October 5, 2012, SMC redeemed all Series "1" preferred shares including those Series "1" preferred shares in the name of the CIIF Holding Companies. Proceeds of such redemption with respect to Series "1" preferred shares in the name of the CIIF Holding Companies, including all accumulated dividends were paid to the National Treasury. As of October 5, 2012, CIIF Holding Companies are no longer stockholders of SMC.

On June 30, 2011, the PCGG filed with the Supreme Court relating to an Urgent Motion to Direct SMC to comply with the Sandiganbayan Resolution (the "Urgent Motion"). On March 30, 2012, SMC filed a Comment on the Urgent Motion in compliance with the Supreme Court's Resolution dated December 13, 2011 in G.R. Nos. 180705, 177857-58 and 178193, which was received by SMC on February 22, 2012, directing SMC to file its Comment on the Urgent Motion. The Supreme Court, in the Resolution of April 24, 2012 noted the comment of SMC.

Thereafter, the PCGG filed in G.R. Nos. 177857-58 and 178193 a "Manifestation and Omnibus Motion 1) To Amend the Resolution Promulgated on September 4, 2012 to Include the "Treasury Shares" Which are Part and Parcel of the 33,133,266 Coconut Industry Investment Fund (CIIF) Block of San Miguel Corporation (SMC) Shares of 1983 Decreed by the Sandiganbayan, and Sustained by the Honorable Court, as Owned by the Government; and 2) To Direct San Miguel Corporation (SMC) to Comply with the Final and Executory Resolutions Dated October 24, 1991 and March 18, 1992 of the Sandiganbayan Which Were Affirmed by the Honorable Court in G.R. Nos. 104637-38" ("Manifestation and Omnibus Motion").

The Supreme Court, in the Resolution of November 20, 2012 in G.R. Nos. 177857-58 and 178193, required SMC to comment on COCOFED, et al.'s "Manifestation" dated October 4, 2012 and PCGG's "Manifestation and Omnibus Motion." Atty. Estelito P. Mendoza, counsel for Eduardo M. Cojuangco, Jr. in G.R. No. 180705, who is a party in that case, filed a "Manifestation Re: 'Resolution' dated November 20, 2012," dated December 17, 2012, alleging that (a) Mr. Cojuangco, Jr. is not a

party in G.R. Nos. 177857-58 and 178193 and he has not appeared as counsel for any party in those cases; (b) SMC is likewise not a party in those cases, and if SMC is indeed being required to comment on the pleadings in the Resolution of November 20, 2012, a copy of the Resolution be furnished SMC; and (c) the Supreme Court had already resolved the motion for reconsideration in G.R. Nos. 177857-58 and 178193 and stated that “no further pleadings shall be entertained, thus, any motion filed in the said cases thereafter would appear to be in violation of the Supreme Court’s directive.

In its Resolution of June 4, 2013 in G.R. Nos. 177857-58 and 178193, the Supreme Court required SMC to file its comment on the (a) Manifestation, dated October 4, 2012 filed by petitioners COCOFED, et al. and (b) Manifestation and Omnibus Motion dated October 12, 2012 filed by the Office of the Solicitor General for respondent Republic of the Philippines, as required in the Supreme Court Resolution, dated November 20, 2012, within ten days from notice thereof. SMC, thru external counsel, filed the following comments required in the Supreme Court Resolution of June 4, 2013 in G.R. Nos. 177857-58; a) “Comment of San Miguel Corporation on the ‘Manifestation’ of Petitioners COCOFED, et al., Dated October 4, 2012” on November 6, 2013; and (b) “Comment of San Miguel Corporation on the ‘Manifestation and Omnibus Motion...’ Dated October 12, 2012 of the Respondent Republic” on December 3, 2013.

As of March 27, 2014, the aforementioned cases relating to the treasury shares remain pending in the Supreme Court.

In the meantime, SMC has available cash and shares of stock for the dividends payable on the treasury shares, in the event of an unfavorable ruling by the Supreme Court.

b. Deficiency Excise Tax

On April 12, 2004 and May 26, 2004, SMC was assessed by the BIR for deficiency excise tax on “San Mig Light”, one of its beer products. SMC contested the assessments before the Court of Tax Appeals (CTA) (1<sup>st</sup> Division) under CTA case numbers 7052 and 7053.

In relation to the aforesaid contested assessments, SMC, on January 31, 2006, filed with the CTA (1<sup>st</sup> Division), under CTA case number 7405, a claim for refund of taxes paid in excess of what it believes to be the excise tax rate applicable to it.

The above assessment cases (CTA case numbers 7052 and 7053) and claim for refund (CTA case number 7405), which involve common questions of fact and law, were subsequently consolidated and jointly tried.

On November 27, 2007, SMC filed with the CTA (3<sup>rd</sup> Division), under CTA case number 7708, a second claim for refund, also in relation to the contested assessments, as it was obliged to continue paying excise taxes in excess of what it believes to be the applicable excise tax rate.

On January 11, 2008, the BIR addressed a letter to SMC, appealing to SMC to settle its alleged tax liabilities subject of CTA case numbers 7052 and 7053 “in order to obviate the necessity of issuing a Warrant of Distraint and Garnishment and/or Levy”. SMC’s external legal counsel responded to the aforesaid letter and met with appropriate officials of the BIR and explained to the latter the unfairness of the issuance of a Warrant of Distraint and Garnishment and/or Levy against SMC, especially in view of SMC’s pending claims for refund. As of March 27, 2014, the BIR has taken no further action on the matter.

On July 24, 2009, SMC filed its third claim for refund with the CTA (3<sup>rd</sup> Division), under CTA case number 7953, also in relation to the contested assessments. This case is still undergoing trial.

On January 7, 2011, the CTA (3<sup>rd</sup> Division) under CTA case number 7708 rendered its decision in this case, granting SMC’s petition for review on its claim for refund and ordering respondent Commissioner of Internal Revenue to refund or issue a tax credit certificate in favor of SMC in the amount of P926, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on “San Mig Light” during the period from December 1, 2005 up to July 31, 2007. This decision was elevated by the BIR Commissioner to the CTA En Banc and the appeal was denied in the case docketed as CTA EB No. 755. The Office of the Solicitor General filed with the Second Division of the Supreme Court a Petition for Review which was docketed as G.R. No. 205045. This case is now with the Third Division of the Court.

On October 18, 2011, the CTA (1<sup>st</sup> Division) rendered its joint decision in CTA case numbers 7052, 7053 and 7405, cancelling and setting aside the deficiency excise tax assessments against SMC, granting the latter’s claim for refund and ordering the BIR Commissioner to refund or issue a tax credit certificate in its favor in the amount of P781 million, representing erroneously, excessively and/or illegally collected and overpaid excise taxes on “San Mig Light” during the period from February 1, 2004 to November 30, 2005. A motion for reconsideration filed by the BIR Commissioner on the aforesaid decision has been denied and the Commissioner elevated the decision to CTA En Banc for review, which was docketed as CTA EB No. 873, the same was dismissed in a Decision dated October 24, 2012. The subsequent Motion for Reconsideration filed by the Commissioner was likewise denied. The CTA En Banc Decision was later elevated by the Office of the Solicitor General to the Supreme Court by Petition for Review, which was docketed as G.R. No. 20573 and raffled to the Third Division. This case was subsequently consolidated with G.R. No. 205045. Both cases are now with the Third Division.

In the meantime, effective October 1, 2007, SMC spun off its domestic beer business into a new company, SMB. SMB continued to pay the excise taxes on “San Mig Light” at the higher rate required by the BIR.

On September 28, 2009, SMB filed a claim for refund with the CTA (3<sup>rd</sup> Division) under CTA case number 7973; on December 28, 2010, its second claim for refund with the CTA (1<sup>st</sup> Division) under case number 8209; on December 23, 2011, its third claim for refund with the CTA (3<sup>rd</sup> Division) under case number 8400; on July 30, 2012, its fourth claim for refund under case number 8591; and last

December 19, 2013, its fifth claim for refund with the CTA (2nd Division) under case number 8748. All these cases have already been submitted for decision, with the exception of case number 8748, which is up for pre-trial conference.

c. Deficiency Tax Liabilities

The BIR issued a Final Assessment Notice dated March 30, 2012 (2009 Assessment), imposing on Iconic Beverages, Inc. (IBI) deficiency tax liabilities including interest and penalties for the tax year 2009. IBI treated the royalties earned from the licensing of its intellectual properties to SMB as passive income, and therefore subject to the 20% final tax. However, the BIR is of the position that said royalties are business income subject to the 30% regular corporate tax.

On May 16, 2012, IBI filed a protest against the 2009 Assessment. In its Final Decision on Disputed Assessment issued last January 7, 2013, the BIR denied IBI's protest and reiterated the demand to pay the deficiency income tax including interests and penalties. On February 6, 2013, IBI filed a Petition for Review before the CTA contesting the 2009 Assessment. The case is still pending before the said court.

For the taxable year 2010, on November 17, 2013, IBI received a Formal Letter of Demand with the Final Assessment Notice (2010 Assessment) from the BIR with a demand for payment of income tax and VAT deficiencies with administrative penalties. The BIR maintained its position that royalties are business income subject to the 30% regular corporate tax. The 2010 Assessment was protested by IBI before the BIR through a letter dated November 29, 2013.

d. Tax Credit Certificates Cases

In 1998, the BIR issued a deficiency excise tax assessment against Petron relating to Petron's use of P659 million worth of Tax Credit Certificates (TCCs) to pay certain excise tax obligations from 1993 to 1997. The TCCs were transferred to Petron by suppliers as payment for fuel purchases. Petron contested the BIR's assessment before the CTA. In July 1999, the CTA ruled that as a fuel supplier of BOI-registered companies, Petron was a qualified transferee of the TCCs and that the collection by the BIR of the alleged deficiency excise taxes was contrary to law. On March 21, 2012, the Court of Appeals promulgated a decision in favor of Petron and against the BIR affirming the ruling of the CTA striking down the assessment issued by the BIR to Petron. On April 19, 2012, a motion for reconsideration was filed by the BIR, which was denied by the CTA in its Resolution dated October 10, 2012. The BIR elevated the case to the Supreme Court through a petition for review on *certiorari* dated December 5, 2012. On June 17, 2013, Petron filed its comment on the petition for review filed by the BIR. The petition is still pending as of December 31, 2013.

e. Pandacan Terminal Operations

In November 2001, the City of Manila enacted Ordinance No. 8027 reclassifying the areas occupied by the oil terminals of Petron, Pilipinas Shell Petroleum Corporation (Shell) and Chevron Philippines Inc. (Chevron) from industrial to commercial. This

reclassification made the operation of the oil terminals in Pandacan, Manila illegal. However, in June 2002, Petron, together with Shell and Chevron, entered into a Memorandum of Understanding (MOU) with the City of Manila and the Department of Energy (DOE), agreeing to scale down operations, recognizing that this was a sensible and practical solution to reduce the economic impact of Ordinance No. 8027. In December 2002, in reaction to the MOU, the Social Justice Society (SJS) filed a petition with the Supreme Court against the Mayor of Manila asking that the latter be ordered to enforce Ordinance No. 8027. In April 2003, Petron filed a petition with the Regional Trial Court (RTC) to annul Ordinance No. 8027 and enjoin its implementation. On the basis of a *status quo* order issued by the RTC, Mayor of Manila ceased implementation of Ordinance No. 8027.

The City of Manila subsequently issued the Comprehensive Land Use Plan and Zoning Ordinance (Ordinance No. 8119), which applied to the entire City of Manila. Ordinance No. 8119 allowed Petron (and other non-conforming establishments) a seven-year grace period to vacate. As a result of the passage of Ordinance No. 8119, which was thought to effectively repeal Ordinance No. 8027, in April 2007, the RTC dismissed the petition filed by Petron questioning Ordinance No. 8027.

However, on March 7, 2007, in the case filed by SJS, the Supreme Court rendered a decision (the March 7 Decision) directing the Mayor of Manila to immediately enforce Ordinance No. 8027. On March 12, 2007, Petron, together with Shell and Chevron, filed motions with the Supreme Court seeking intervention and reconsideration of the March 7 Decision. In the same year, Petron also filed a petition before the RTC of Manila praying for the nullification of Ordinance No. 8119 on the grounds that the reclassification of the oil terminals was arbitrary, oppressive and confiscatory, and thus unconstitutional, and that the said Ordinance contravened the provisions of the Water Code of the Philippines (Presidential Decree No. 1067, the Water Code). On February 13, 2008, Petron, Shell and Chevron were allowed by the Supreme Court to intervene in the case filed by SJS but their motions for reconsideration were denied. The Supreme Court declared Ordinance No. 8027 valid and dissolved all existing injunctions against the implementation of the Ordinance No. 8027.

In May 2009, the Mayor of Manila approved Ordinance No. 8187, which amended Ordinance No. 8027 and Ordinance No. 8119 and permitted the continued operations of the oil terminals in Pandacan.

On August 24, 2012, the RTC of Manila ruled that Section 23 of Ordinance No. 8119 relating to the reclassification of subject oil terminals had already been repealed by Ordinance No. 8187; hence any issue pertaining thereto had become moot and academic. The RTC of Manila also declared Section 55 of Ordinance No. 8119 null and void for being in conflict with the Water Code. Nonetheless, the RTC upheld the validity of all other provisions of Ordinance No. 8119. On September 25, 2012, Petron sought clarification and partial consideration of the August 24 decision and prayed for the nullification of the entire Ordinance No. 8119. In an order dated December 18, 2012, the RTC of Manila denied the motion filed by Petron. Petron filed a notice of appeal on January 23, 2013. In an order dated February 6, 2013, the RTC of Manila ordered the records of the

case be forwarded to the Court of Appeals. On April 15, 2013, Petron received and Order dated April 1, 2013 requiring it to file its appellant's brief. Petron submitted its appellant's brief on July 29, 2013. On December 19, 2013, Petron, through its counsel, received the City of Manila's appellee's brief dated December 12, 2013. As of March 27, 2014, the appeal remained pending.

With regard to Ordinance No. 8187, petitions were filed before the Supreme Court, seeking for its nullification and the enjoinder of its implementation. Petron filed a manifestation on November 30, 2010 informing the Supreme Court that, without prejudice to its position in the cases, it had decided to cease operation of its petroleum product storage facilities in Pandacan within 5 years or not later than January 2016 due to the many unfounded environmental issues being raised that tarnish the image of Petron and the various amendments being made to the zoning ordinances of the City of Manila when the composition of the local government changes that prevented Petron from making long-term plans. In a letter dated July 6, 2012 (with copies to the offices of the Vice Mayor and the City Council of Manila), Petron reiterated its commitment to cease the operation of its petroleum product storage facilities and transfer them to another location by January 2016. As of March 27, 2014, the petitions remained pending.

f. Oil Spill Incident in Guimaras

On August 11, 2006, MT Solar I, a third party vessel contracted by Petron to transport approximately two million liters of industrial fuel oil, sank 13 nautical miles southwest of Guimaras, an island province in the Western Visayas region of the Philippines. In separate investigations by the Philippine Department of Justice (DOJ) and the Special Board of Marine Inquiry (SBMI), both agencies found the owners of MT Solar I liable. The DOJ found Petron not criminally liable, but the SBMI found Petron to have overloaded the vessel. Petron has appealed the findings of the SBMI to the Department of Transportation and Communication and is awaiting its resolution. Petron believes that SBMI can impose administrative penalties on vessel owners and crew, but has no authority to penalize other parties, such as Petron, which are charterers.

In 2009, complaints for violation of the Philippine Clean Water Act of 2004 (Republic Act No. 9275, the Clean Water Act) and homicide and less serious physical injuries were filed against Petron. Complainants claim that their exposure to and close contact with waters along the shoreline and mangroves affected by the oil spill has caused them major health problems. On February 13, 2012, the information was filed against the owner and the Captain of MT Solar I and the former President and Chairman of Petron for violation of the Clean Water Act. On March 28, 2012, the court dismissed the information for lack of probable cause and for lack of jurisdiction over the offense charged. The Provincial Prosecutor and the private prosecutor filed a motion for reconsideration of this March 28 Order of the court. On August 13, 2012, the court issued an order denying the said motion for reconsideration.

Other complaints for non-payment of compensation for the clean-up operations during the oil spill were filed by a total of 1,063 plaintiffs who allegedly did not receive any payment of their claims for damages arising from the oil spill. The total

claims for both cases amounted to P292 million. Both cases are still pending as of March 27, 2014.

g. **Generation Payments to PSALM**

SPPC disputed the claims of PSALM for generation payments. The claims arose from differing interpretations of certain provisions in the Independent Power Producer Administration (IPPA) Agreement related to generation payments, the fees payable to PSALM for the generation of power to customers. SPPC's management is in discussions with PSALM to secure a common understanding through amicable means. However, management and its legal counsel assessed that SPPC's bases for the amounts due to PSALM are consistent with the terms of the Ilijan IPPA Agreement. The outcome of these claims is uncertain; accordingly, the amount cannot be presently determined.

▪ *Master Year Limited (MYL)*

On June 29, 2012, MYL purchased a total of 368,140,516 common shares of SMC. The sale was transacted at the PSE thru a special block sale at the price of P75.00 per share.

On September 30, 2013, Privado Holdings, Corp. (Privado) acquired 368,140,516 common shares of SMC from MYL. The acquisition was transacted thru the PSE at P75.00 per share.

On February 14, 2014, Privado acquired 50,000 shares of stock of SMC at the PSE at P58.00 per share.

▪ *Commitments*

The outstanding purchase commitments of the Group as of December 31, 2013 amounted to P35,609 million.

Amount authorized but not yet disbursed for capital projects as of December 31, 2013 is approximately P27,600 million.

▪ *Foreign Exchange Rates*

The foreign exchange rates used in translating the US dollar accounts of foreign subsidiaries and associates and joint ventures to Philippine peso were closing rates of P44.395 and P41.05 in 2013 and 2012, respectively, for statements of financial position accounts; and average rates of P42.43, P42.24 and P43.31 in 2013, 2012 and 2011, respectively, for income and expense accounts.

▪ *Temporary Restraining Order (TRO) Issued to Meralco*

On December 23, 2013, the Supreme Court issued a TRO, effective immediately, preventing Meralco from collecting from its customers the power rate increase pertaining to November 2013 billing. As a result, Meralco was constrained to fix its generation rate to its October 2013 level of P5.67/kWh. Claiming that since the power supplied by SMEC and SPPC is billed to Meralco's customers on a pass-through basis,

Meralco deferred a portion of its payment on the ground that it was not able to collect the full amount of its generation cost. Further, on December 27, 2013, the DOE, Energy Regulatory Commission (ERC), and Philippine Electricity Market Corporation (PEMC), acting as a tripartite committee, issued a joint resolution setting a reduced price cap on the WESM of P32/kWh. The interim price will be effective for 90 days until a new cap is decided upon. As of December 31, 2013, the outcome of this case cannot be presently determined.

On January 16, 2014, the Supreme Court granted Meralco's plea to include other power supplier and generation companies, including SMEC and SPPC, as respondents to an inquiry. On February 18, 2014, the Supreme Court extended the period of the TRO until April 22, 2014 and enjoined the respondents (PEMC and the generators) from demanding and collecting the deferred amounts.

On March 3, 2014, the ERC issued an order declaring the November and December 2013 Luzon WESM prices void and imposed the application of regulated prices. Accordingly, the Group recognized a reduction in the sale of power and liability for the portion already collected.

▪ *Electric Power Industry Reform Act of 2001*

RA No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) sets forth the following: (a) Section 49 created PSALM to take ownership and manage the orderly sale, disposition and privatization of all existing National Power Corporation (NPC) generation assets, liabilities, IPP contracts, real estate and all other disposable assets; (b) Section 31(c) requires the transfer of the management and control of at least 70% of the total energy output of power plants under contract with NPC to the IPP Administrators as one of the conditions for retail competition and open access; and (c) Pursuant to Section 51(c), PSALM has the power to take title to and possession of the IPP contracts and to appoint, after a competitive, transparent and public bidding, qualified independent entities who shall act as the IPP Administrators in accordance with the EPIRA. In accordance with the bidding procedures and supplemented bid bulletins thereto to appoint an IPP Administrator relative to the capacity of the IPP contracts, PSALM has conducted a competitive, transparent and open public bidding process following which the Group was selected winning bidder of the IPPA Agreements.

The EPIRA requires generation and distribution utility (DU) companies to undergo public offering within five years from the effective date, and provides cross ownership restrictions between transmission and generation companies. If the holding company of generation and DU companies is already listed with the PSE, the generation company or the DU need not comply with the requirement since such listing of the holding company is deemed already as compliance with the EPIRA.

A DU is allowed to source from an associated company engaged in generation up to 50% of its demand except for contracts entered into prior to the effective date of the EPIRA. Generation companies are restricted from owning 30% of the installed capacity of the grid and/or 25% of the national installed generating capacity.

- *Subscription Agreement (SA) with Innovative Hi-Power Holdings, Inc.*

On June 25, 2008, the Parent Company entered into a SA with Innovative Hi-Power Holdings, Inc. (the “Subscriber”). Under the terms and conditions of the agreement, the Subscriber agrees to assign, transfer and convey in favor of the Parent Company its rights to, title and interest in the shares of stock representing 100% ownership in five (5) mining companies, in consideration for the shares to be subscribed.

The parties agreed to hire an appraiser to conduct the appraisal and valuation of the 5 mining companies within 6 months from the execution of the agreement, unless extended by mutual agreement of the parties. The resulting appraised value shall be the basis for the increase of the authorized capital stock of the Parent Company and the subscription of the Subscriber to such number of the common shares of stock of the Parent Company with an aggregate par value equivalent to the appraised value.

Pending the results of the appraisal, 7.5% of the estimated value of the 5 mining companies, equivalent to P21 million, shall be assigned to the Parent Company as of the date of execution of the agreement.

On September 11, 2009, the Subscriber entered into an Amendment to the SA with the Parent Company amending certain provisions of the SA executed on June 25, 2008. The amendments include, among others, an extension of the appraisal of the 5 mining companies which shall be completed on or before December 25, 2012, or such later date as the parties shall mutually agree upon in writing. Further, an amendment to the amount assigned to the Parent Company which shall be equivalent to 12% of the estimated value of the 5 mining companies, or P33 million, has been agreed.

On January 4, 2010, the Subscriber entered into an Amendment to the SA with the Parent Company amending certain provisions of the SA executed on June 25, 2008. The agreement is amended such that the Subscriber shall assign its rights, title and interest to such number of shares in 5 mining companies up to the appraised valuation of P33 million only. The Parent Company shall issue to the Subscriber 1,774,194 common shares at P18,600.00 per share for and in consideration of total subscription price of P33 million.

As of December 31, 2012, the Parent Company did not recognize the investment and the deposit for future stock subscriptions in the statements of financial position since the risks and rewards from the 5 mining companies remain with the Subscriber.

In 2013, the conditions for the assignment by the Subscriber of its rights to, title and interest in the shares of stock of the five (5) mining companies were not satisfied and the contemplated investment of the Subscriber in the Parent Company, as provided for in the SA and Amendment to the SA, was terminated.

- There are no unusual items as to nature and amount affecting assets, liabilities, equity, net income or cash flows, except those stated in Management’s Discussion and Analysis of Financial Position and Financial Performance.

- There were no material changes in estimates of amounts reported in prior interim periods of the current year or changes in estimates of amounts reported in prior financial years.
- There were no known trends, demands, commitments, events or uncertainties that will have a material impact on the Group's liquidity.
- There were no known trends, events or uncertainties that have had or that are reasonably expected to have a favorable or unfavorable impact on net sales or revenues or income from continuing operation.
- There were no known events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation and there were no changes in contingent liabilities and contingent assets since the last annual reporting date, except for "Contingencies" of Section VIII above, that remain outstanding as of December 31, 2013. No material contingencies and any other events or transactions exist that are material to an understanding of the current interim period.
- The effects of seasonality or cyclicity on the interim operations of the Group's businesses are not material.
- There were no material off-statements of financial position transactions, arrangements, obligations (including contingent obligations), and other relationship of the Group with unconsolidated entities or other persons created during the reporting period, except for the outstanding derivative transactions entered by the Group as of and for the period December 31, 2013.
- Certain amounts in prior year have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported financial performance for any period.

## ANNEX “G”

TOP FRONTIER INVESTMENT HOLDINGS, INC.

2013

TOP 20 STOCKHOLDERS

Top Frontier Investment Holdings, Inc.  
List of Stockholders

Rank	Stockholder Name	Common	Total Shares	% of Outstanding Common Shares
1	INIGO U. ZOBEL	199,601,417	199,601,417	40.718679%
2	MASTER YEAR LIMITED	49,799,800	49,799,800	10.159157%
3	PRIVADO HOLDINGS, CORP.	36,814,051	36,814,051	7.510065%
4	PCD NOMINEE CORPORATION (FILIPINO)	34,798,764	34,798,764	7.098946%
5	PCD NOMINEE CORPORATION (NON-FILIPINO)	8,187,657	8,187,657	1.670282%
6	PCD NOMINEE CORPORATION	3,810,581	3,810,581	0.777358%
7	PCGG IN TRUST FOR THE COMPREHENSIVE AGRARIAN REFORM PROGRAM	2,763,633	2,763,633	0.563781%
8	SAN MIGUEL CORPORATION	2,561,031	2,561,031	0.522450%
9	SYSMART CORPORATION	345,700	345,700	0.070523%
10	ROBERTO V. ONGPIN	200,400	200,400	0.040882%
11	JOSELITO D. CAMPOS JR.	200,000	200,000	0.040800%
12	CONSUELO EDEN P. LAGAO	200,000	200,000	0.040800%
13	EVERETT STEAMSHIP CORPORATION	190,333	190,333	0.038828%
14	GINGOOG HOLDINGS CORPORATION	183,008	183,008	0.037334%
15	EL SUPERIOR DE LA CORPORACION FILIPINA DE PADRES AGUSTINOS RECOLETOS, INC.	170,000	170,000	0.034680%
16	EDUARDO M. COJUANGCO JR.	127,354	127,354	0.025980%
17	MACRINA LEYSON	114,475	114,475	0.023353%
18	CARMEL OF THE DIVINE INFANT JESUS OF PRAGUE INC. A/C NO 2	95,751	95,751	0.019533%
19	ESTATE OF ALLEN CHAM	91,398	91,398	0.018645%
20	PAC RIM REALTY & DEVELOPMENT CORP.	91,205	91,205	0.018606%
		340,346,558	340,346,558	69.430681%

Total Number of Issued Common Shares :

490,196,200