MANILA BULLETIN PUBLISHING CORPORATION

P.O. BOX 769
Manila Bulletin Building
Muralla Corner Recoletos St., Intramuros
Manila, Philippines

Tel. 527-81-21 Fax No. 527-75-10
http://www.mb.com.ph
Advertising Dept. Tel. 527-75-24 Fax No. 527-75-33
Circulation Dept Tel. 527-75-22 Fax No. 527-75-26

STATEMENT OF MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Securities and Exchange Commission
SEC Building, EDSA Greenhills
Mandaluyong City

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

The Board of Directors (BOD) reviews and approves the financial statements and submits the same to the stockholders.

Teodoro, Santamaria, Canlas & Co. CPAs and Mangay-ayam, Lim & Co. CPAs , the independent auditors appointed by the BOD has examined the financial statements of the Company in accordance with Philippine Standards on Auditing, and its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

BASILIO C. YAP
Chairman of the Board

HERMOGENES P. POBRE
President/ Chief Executive Officer

PACIENCIA M. PINEDA
Treasurer/ Chief Financial Officer

Signed this 11th day of April, 2016

SUBSCRIBED AND SWORN to before me this 11th day of April, 2016, after exhibiting to me their SSS ID and Taxpayer's Identification Number (TIN) as follows: BASILIO C. YAP (TIN 132-309-833), HERMOGENES P. POBRE (SSS No. 03-0222530-5) and PACIENCIA M. PINEDA (SSS No.03-0095093-1).

DYLAN I. FELICIDARIO
Notary Public Until December 31, 2017
Notarial Commission No. 2016-009 Roll No. 43016
PTR No. 4930631/01-07-16/ Manila
MCLE Compliance No. V-0014949
IBP No. 1010673(2016-2017)/11-04-15/ Laguna
Manila Bulletin Bldg., Intramuros, Manila

Doc. No. 230
Page No. 47
Book No. 124
Series of 2016

Tempo panorama Agriculture Animal Scene CRUISING Sense&Style style weekend
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STATEMENT OF MANAGEMENT RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Commissioner
Bureau of Internal Revenue
Quezon City

The Management of Manila Bulletin Publishing Corporation is responsible for all information and representation contained in the annual income tax return for the year ended December 31, 2015. Management is likewise responsible for all information and representation contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period including but not limited, to the value added tax and/or percentage tax return, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached audited financial statements for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of Manila Bulletin Publishing Corporation complete and correct in all material respects. The Management likewise affirms that:

a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulation and other issuances of the Department of Finance and the Bureau of Internal Revenue.
b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulation No. 8-2007 and other relevant issuances;
c) the Manila Bulletin Publishing Corporation has filed all applicable tax returns, reports and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

BASILIO C. YAP
Chairman

HERMOGENES P. POBRE
President

PACIENCIA M. PINEDA
Treasurer

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MANILA BULLETIN PUBLISHING CORPORATION

AUDITED FINANCIAL STATEMENTS

December 31, 2015
with Report of Independent Auditors

TEODORO SANTAMARIA CANLAS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

Suite 2108 Cityland 10 Tower 1
156 H. V. Dela Costa Street, Salcedo Village
1226 Makati City, Philippines
Tels.: (632) 869-4309
(632) 856-3649
Tel/Fax No.: (632) 812-4202

Member:
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REPORT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Manila Bulletin Publishing Corporation
Manila Bulletin Building
Muralla cor. Recoletos St., Intramuros Manila

Report on the Financial Statements

We have audited the accompanying financial statements of Manila Bulletin Publishing Corporation, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and 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 audit. We conducted our audit 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 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 auditor's 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 auditor considers 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.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Manila Bulletin Publishing Corporation as at December 31, 2015 and its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Other Matter

The financial statements of Manila Bulletin Publishing Corporation as at and for the year ended December 31, 2014, which were presented for comparative purposes, were audited by other auditors whose report dated March 26, 2015, expressed an unqualified opinion on those statements.

Report on the Supplementary Information Required Under Revenue Regulation Nos. 19-2011 and 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulation Nos. 19-2011 and 15-2010 in Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of management and has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA CANLAS & CO.

NOEL ANTONIO E. CANLAS
Partner signing for the firm
CPA License No. 090005
Valid until January 1, 2019
BOA/PRC Accreditation No. 5593
Valid until December 31, 2016
BIR A. N. 08-003408-3-2016
Valid until March 31, 2019
SEC Accreditation No. 1060-AR-I (Individual)
Valid until February 5, 2017
SEC Accreditation No. 0308-F (Firm)
Valid until February 15, 2018
T.I.N. 131-519-275
P.T.R. No. 5339446
January 13, 2016/Makati City

April 11, 2016

BUREAU OF INTERNAL REVENUE
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MANILA BULLETIN PUBLISHING CORPORATION
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2015
(With comparative figures for December 31, 2014)
(In Philippine Peso)

	Notes	2015	2014
ASSETS			
Current			
Cash	4	P 60,081,602	P 110,218,460
Trade and other receivables	5	2,100,690,865	2,100,165,100
Inventories	6	1,348,569,789	1,240,212,207
Other current assets	7	34,269,583	117,369,590
		3,543,611,839	3,567,965,357
Non-current			
Property, plant and equipment	8	2,703,760,871	2,735,904,269
Investment properties	9	94,808,970	94,808,970
Deferred tax asset - net	21	49,606,004	49,381,722
Prepaid benefits cost	22	15,891,117	6,477,189
Goodwill	10	5,000,000	5,000,000
Other non-current assets	11	166,659,934	162,202,131
		3,035,726,896	3,053,774,281
		P 6,579,338,735	P 6,621,739,638
LIABILITIES AND EQUITY			
LIABILITIES			
Current			
Trade and other payables	12	P 2,032,966,248	P 2,387,380,032
Trust receipts payable	13	187,744,472	196,542,954
Current portion of loans payable	14	120,000,000	110,000,000
Income tax payable		6,346,962	13,086,926
		2,347,057,682	2,707,009,912
Noncurrent			
Loans payable net of current portion	14	745,000,000	489,500,000
Equity			
Share capital	15	3,374,508,215	3,276,493,160
Retained earnings	15	201,454,273	239,338,934
Accumulated remeasurement losses on retirement benefit plan	22	(72,333,458)	(74,254,391)
Treasury shares	15	(16,347,977)	(16,347,977)
		3,487,281,053	3,425,229,726
		P 6,579,338,735	P 6,621,739,638

See accompanying notes to financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016
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MANILA BULLETIN PUBLISHING CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative figures for 2014)
(In Philippine Peso)

	Notes	2015	2014	2013
REVENUES	16	**P 2,805,961,573**	P 2,739,687,511	P 2,899,418,491
COST OF SALES AND SERVICES	17	**1,833,989,063**	1,724,216,624	1,809,401,107
GROSS PROFIT		**971,972,510**	1,015,470,887	1,090,017,384
OTHER OPERATING INCOME	18	**140,801,161**	122,799,587	132,959,369
OPERATING EXPENSES	19	**997,562,179**	988,088,712	1,002,113,044
OPERATING INCOME		**115,211,492**	150,181,762	220,863,709
OTHER INCOME	20	**9,615,920**	8,032,867	3,125,794
INCOME BEFORE INTEREST EXPENSE		**124,827,412**	158,214,629	223,989,503
INTEREST EXPENSE	14	**43,196,382**	46,404,494	46,625,875
INCOME BEFORE INCOME TAX		**81,631,030**	111,810,135	177,363,628
PROVISION FOR INCOME TAX	21	**21,500,636**	25,471,171	52,033,687
NET INCOME		**60,130,394**	86,338,964	125,329,941
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will be reclassified into profit or loss:				
Unrealized gain on AFS investments				
Changes in fair value of AFS investments		-	-	-
Unrealized gain removed from equity and transferred to profit or loss	23	-	-	(7,702,194)
Income tax effect	21	-	-	2,310,658
		-	-	(5,391,536)
Items that will not be reclassified into profit or loss:				
Remeasurement losses on retirement benefit plan	22	**2,744,191**	(18,132,507)	(8,411,014)
Income tax effect	21	**(823,258)**	5,439,752	2,523,304
		1,920,933	(12,692,755)	(5,887,710)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P 62,051,327**	**P 73,646,209**	P 114,050,695
EARNINGS PER SHARE				
Basic/Diluted	23	**P 0.02**	**P 0.03**	P 0.04

See accompanying notes to financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016
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MANILA BULLETIN PUBLISHING CORPORATION
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative figures for 2014)
(In Philippine Peso)

	Share Capital *(Note 15)*	Retained Earnings *(Note 15)*	Unrealized Gain on Available-for-Sale Securities *(Note 11)*	Remeasurement Losses on Retirement Benefit Plan *(Note 22)*	Treasury Shares *(Note 15)*	Total
As at January 1, 2015	**P 3,276,493,160**	**P 239,338,934**	**P -**	**P (74,254,391)**	**P (16,347,977)**	**P 3,425,229,726**
Total comprehensive income						
Net income	-	**60,130,394**	-	-	-	**60,130,394**
Other comprehensive income						
Remeasurement losses on retirement benefit plan	-	-	-	**1,920,933**	-	**1,920,933**
Total comprehensive income for the year	-	**60,130,394**	-	**1,920,933**	-	**62,051,327**
Stock dividend	**98,015,055**	**(98,015,055)**	-	-	-	-
As at December 31, 2015	**P 3,374,508,215**	**P 201,454,273**	**P -**	**P (72,333,458)**	**P (16,347,977)**	**P 3,487,281,053**
As at January 1, 2014	P 3,181,332,912	P 248,160,218	P -	P (61,561,636)	P (16,347,977)	P 3,351,583,517
Total comprehensive income						
Net income	-	86,338,964	-	-	-	86,338,964
Other comprehensive loss						
Unrealized gain on AFS transferred to profit or loss	-	-		-	-	-
Remeasurement losses on retirement benefit plan	-	-	-	(12,692,755)	-	(12,692,755)
Total comprehensive income for the year	-	86,338,964		(12,692,755)	-	73,646,209
Stock dividend	95,160,248	(95,160,248)	-	-	-	-
As at December 31, 2014	P 3,276,493,160	P 239,338,934	P -	P (74,254,391)	P (16,347,977)	P 3,425,229,726
As at January 1, 2013	P 3,030,284,900	P 273,878,289	P 5,391,536	P (55,673,926)	P (16,347,977)	P 3,237,532,822
Total comprehensive income as previously presented						
Net income	-	125,329,941	-	-	-	125,329,941
Other comprehensive income						
Unrealized gain on AFS investments	-	-	(5,391,536)	-	-	(5,391,536)
Remeasurement losses on retirement benefit plan	-	-	-	(5,887,710)	-	(5,887,710)
Total comprehensive income for the year, as restated	-	125,329,941	(5,391,536)	(5,887,710)	-	114,050,695
Cash dividends	151,048,012	(151,048,012)	-	-	-	-
As at December 31, 2013 as restated	P 3,181,332,912	P 248,160,218	P -	P (61,561,636)	P (16,347,977)	P 3,351,583,517

See accompanying notes to financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016
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MANILA BULLETIN PUBLISHING CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015
(With comparative figures for 2014)
(In Philippine Peso)

	Notes	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P 81,631,030**	P 111,810,135	P 177,363,628
Adjustments for:				
Depreciation and amortization	8,19	**77,847,842**	79,235,535	85,588,977
Provision for impairment losses	5,19	**77,002,757**	3,517,135	3,769,136
Gain on disposal of property and equipment	20	-	(1,571,458)	-
Interest income	4	**(45,291)**	(57,281)	(51,132)
Interest expense	14	**43,196,382**	46,404,494	46,625,875
Retirement expense	22	**10,472,894**	8,795,544	7,538,579
Operating income before changes in operating assets and liabilities		**290,105,614**	248,134,104	320,835,063
Changes in operating assets and liabilities:				
(Increase) decrease in:				
Trade and other receivables	5	**(77,528,522)**	(145,043,706)	48,879,570
Inventories	6	**(108,357,582)**	97,481,150	(96,258,849)
Other current assets	7	**83,100,007**	39,018,999	32,892,628
Other non-current assets	11	**(4,457,803)**	(1,833,929)	(8,546,030)
Increase (decrease) in:				
Trade and other payables	12	**(354,413,784)**	(88,656,341)	117,732,458
Proceeds from (payments of) trust receipts payable	13	**(8,798,482)**	(38,728,559)	(154,456,471)
Cash (used in) generated from operations		**(180,350,552)**	110,371,718	261,078,369
Interest received		**45,291**	57,281	51,132
Contributions paid	22	**(17,142,631)**	(21,600,638)	(12,704,561)
Income taxes paid		**(29,288,140)**	(44,900,480)	(48,468,949)
Net cash (used in) provided by operating activities		**(226,736,032)**	43,927,881	199,955,991
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of property, plant and equipment	8	**(53,704,444)**	(41,401,946)	(23,919,729)
Proceeds from disposal of property and equipment	8	**8,000,000**	14,000,000	-
Net cash used in investing activities		**(45,704,444)**	(27,401,946)	(23,919,729)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Loans payable	14	**(599,500,000)**	(110,500,000)	(95,000,000)
Interest	14	**(43,196,382)**	(46,404,494)	(46,625,875)
Proceeds from availment of loan	14	**865,000,000**	145,000,000	-
Net cash provided by (used in) financing activities		**222,303,618**	(11,904,494)	(141,625,875)
(DECREASE) INCREASE IN CASH		**(50,136,858)**	4,621,441	34,410,387
CASH, AT BEGINNING OF YEAR		**110,218,460**	105,597,019	71,192,632
CASH, AT END OF YEAR	4	**P 60,081,602**	P 110,218,460	P 105,603,019

See accompanying notes to financial statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016
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CRISTINA G. DE GUZMAN

MANILA BULLETIN PUBLISHING CORPORATION

NOTES TO FINANCIAL STATEMENTS
December 31, 2015
(With comparative figures for 2014)
(In Philippine Peso)

1. Corporate Information

Manila Bulletin Publishing Corporation (the 'Company') was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 2, 1900under SEC registration number 15923. Its principal office is located at Manila Bulletin Bldg., Muralla corner RecoletosSts., Intramuros, Manila. It is the first newspaper company in the Philippines to go public. As of this date, it is the oldest newspaper published in the country and the second oldest English newspaper in the Far East. It started as a commercial newspaper, publishing advertisements of shipping companies.

It has maintained its leadership in the newspaper industry and in the publications of magazines with its advertisements, circulation and clientele. The broad sheet, Manila Bulletin is published seven days a week; the Philippine Panorama, a Sunday Weekly Magazine; Style Weekend, a Friday Weekly Magazine; Travel Magazine, published every second and fourth Thursday of the month; Tempo, a daily English tabloid; Balita, a daily Filipino; monthly magazines, namely: Agriculture, to help boost food production and promote livelihood programs; Cruising for sports and travel; Sense and Style, an upscale magazine, covers various facets lifestyle from its core content on homes and gardening to beauty and fashion, health and fitness, career, cooking and dining, travel, leisure and everything relevant to busy young urbanities; Animal Scene, which focuses on animals from pets to endangered species; and Sports Digest for sports aficionados and healthy entertainment; Sense and Style Magazine for woman's fashion and beauty.

On June 22, 1989, the SEC approved the Company's amended Articles of Incorporation extending its life for another fifty (50) years.

On July 1, 2005 Manila Bulletin Publishing Corporation acquired from Liwayway Publishing, Inc., its Tagalog daily newspaper, Balita, and weekly vernacular magazines, Liwayway, Bisaya, Hiligaynon and Bannawag including their trade names.

The Company is 54.18% owned by U.S. Automotive Co., Inc, which isalso incorporated in the Philippines.

Authorization for Issue of the Financial Statements
The financial statements of the Company were authorized for issue by the Board of Directors (BOD) on April 11, 2016.

2. Summary of Significant Accounting and Financial Reporting Policies

Basis of Preparation
The accompanying financial statements of the Company have been prepared under the historical cost convention basis. The financial statements are presented in Philippine Peso, which is the Company's functional and presentation currency. All financial information is rounded off to the nearest peso, except when otherwise indicated.

Statement of Compliance
The Company's financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). The term PFRS includes all applicable PFRS, Philippine Accounting Standards (PAS) and interpretation, which have been adopted by the Financial Reporting Standard Council (FRSC) and approved by the Board of Accountancy (BOA), and adopted by the SEC, including SEC pronouncements.

Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the preparation of the Company's financial statements as of and for the year ended December 31, 2014, except for the adoption of the following new standards and amendment to standards and interpretations effective on January 1, 2015.

- Amendments to PAS 19 *Employee Benefits - Defined Benefit Plans: Employee Contributions*. PAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. Where the contributions are linked to service, they should be attributed to periods of service as a negative benefit. These amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognize such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendments have no impact to the Company since it has no defined benefit plans with contributions from employees or third parties.

Annual Improvements to PFRS (2010-2012 cycle)

The Annual Improvements to PFRS (2010-2012 cycle) are effective for annual periods beginning on or after January 1, 2015, and are not expected to have material impact to the Company. These are the following:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition.* The improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions.

- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*. The amendment is to be applied prospectively for business combinations for which the acquisition date is on or after July 1, 2014. It clarifies that a contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PAS 39, Financial Instruments: Recognition and Measurement, (or PFRS 9, Financial Instruments, if early adopted).

- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets.* The amendments are applied retrospectively and clarify that:

  - An entity must disclose the judgments made by management in applying the aggregation criteria in the standard, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'.
  - The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

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

- PAS 24, *Related Party Disclosures - Key Management Personnel*. The amendment is applied retrospectively and clarifies that a management entity, which is an entity that provides key management personnel services, is a related party subject to the related party disclosures. In

addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

Annual Improvements to PFRS (2011-2013 cycle)

The following Annual Improvements to PFRS (2011-2013 cycle) are effective for the annual periods beginning on or after January 1, 2015 and are not expected to have a material impact to the Company, thus:

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

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

- PAS 40, *Investment Property.* The amendment is applied prospectively and clarifies that PFRS 3, and not the description of ancillary services in PAS 40, is used to determine if the transaction is the purchase of an asset or business combination. The description of ancillary services in PAS 40 only differentiates between investment property and owner-occupied property (i.e., property, plant and equipment)

There are other new standards and amendments applicable for the first time in 2015. However, they do not significantly impact on the financial statements.

Future Adoption of New Standards and Amendments to Standards

The Company will adopt the following new standards and amendment to standards enumerated below when these become effective. Except as otherwise indicated, the Company does not expect the adoption of new standards and amendment to standards to have significant impact on the financial statements.

Effective January 1, 2016

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

- PAS 27, *Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment).* The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. For first-time adopters of PFRS electing to use the equity method in its separate financial statements, they will be required to apply his method from the date of transition to PFRS. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact to the Company's financial statements.

- PFRS 10, *Financial Statements and PAS 28, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.* These amendments address an acknowledged inconsistency between the requirements in PFRS 10 and those in PAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. These amendments are not expected to have any impact to the Company.

- PFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations (Amendment).* The amendments to PFRS 11 require that a joint operator accounting for the acquisition on an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that the previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, scope exclusion has been added to PFRS 11 to specify the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company.

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

Annual Improvements to PFRSs (2012-2014 cycle)

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

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

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

servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.

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

- PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*. This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.

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

- *Disclosure Initiative* (Amendments to PAS 1). The amendments to PAS 1 addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

    - Information should not be obscured by aggregating or by providing immaterial information.

    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

    - The list ofline items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

    - An entity's share on OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016. Early adoption is permitted.

- *Investment Entities*: Applying the Consolidation Exception (Amendments to PFRS 10, PFRS 12 and PAS 28) clarifies that:

    - A subsidiary that provides investment-related services should not be consolidated if the subsidiary itself is an investment entity.
    - The exemption from preparing consolidated financial statements for an intermediate held by an investment entity, even though the investment entity does not consolidate the intermediate.
    - When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interest in subsidiaries.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2016.

Effective January 1, 2018

- PFRS 9, *Financial Instruments – Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39 (2013 version)*. PFRS 9 (2013 version) already includes the third phase of the project to replace PAS 39 which pertains to hedge accounting. This version of PFRS 39 with a more principle-based test that focuses on the economic relationship between the hedge item and the hedging instrument, and the effect of credit risk on the economic relationship; allowing risk components to be designated as the hedge item, not only for financial items but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a derivative instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

  PFRS 9 (2013 version) has no mandatory effective date. The mandatory effective date of January 1, 2018 was eventually set when the final version of PFRS 9 was adopted by the FRSC. The adoption of the final version of PFRS 9, however, is still for approval by BOA.

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

Standards issued by International Accounting Standards Board not yet adopted in the Philippines

Effective January 1, 2018

- PFRS 15, *Revenue from Contracts with Customers*. PFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue rising from contacts with customers. Under PFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15, provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRS. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. The Company is currently assessing the impact of PFRS 15 and plans to adopt the new standard on the required effective date once adopted locally.

Effective January 1, 2019

- PFRS 16,*Leases*. PFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted if PFRS 15,*Revenue from Contracts with Customers* has also been applied. PFRS 16 standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with PFRS 16's approach to lessor

accounting substantially unchanged from PAS 17. The Company is currently assessing the impact of PFRS 16 and plans to adopt the new standard on the required effective date once adopted locally.

Cash
Cash includes cash on hand and in banks which are stated at face value.

Financial Assets and Financial Liabilities
Date of recognition
The Company recognizes financial instruments in the statement of financial position when it becomes a party to the contractual provision of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments at fair value through profit or loss (FVPL), the initial measurement of financial assets and liabilities includes transaction cost.

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

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include derivatives, financial assets and financial liabilities held for trading and financial assets and financial liabilities designated upon initial recognition as at FVPL.

Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

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

i. the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
ii. the assets or liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
iii. the financial instrument contains an embedded derivative that would need to be separately recorded.

As at December 31, 2015 and 2014, the Company has no financial assets and financial liabilities at FVPL.

HTM investments
HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which management has the positive intention and ability to hold to maturity. Where the company sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. Moreover the Company would be prohibited to classify any financial assets as HTM investments for the following two (2)

years. After initial measurement, these investments are subsequently measured at amortized cost using the effective interest rate method, less impairment in value. 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 amortization is included in the investment income in the statement of comprehensive income. Gains and losses are amortized in income when the HTM investments are derecognized and impaired, as well as through the amortization process. The losses arising from impairment of such investments are recognized in the statement of comprehensive income.

As at December 31, 2015 and 2014, the Company has no investment under this category.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less any allowance for credit losses. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the financial position date.

These are considered as non-current asset if maturity is more than one year from the financial position date.

As at December 31, 2015 and 2014, the Company's 'cash' and 'trade and other receivables' are included in this category.

AFS financial assets
AFS financial assets are those non-derivative financial assets that are either designated in this category or not classified in any of the other categories. After initial recognition, AFS financial assets are measured at fair value with unrealized gains or losses being recognized in the statements of comprehensive income. When the investment is disposed of, the cumulative gains or losses previously recognized as other comprehensive income is recognized in other income. Interest earned or paid on the investment is reported as interest income or expense using the effective interest rate.

AFS financial assets are classified as current, if these investments are expected to be realized within twelve (12) months from the financial position date. Otherwise, AFS financial assets are classified as non-current.

As at December 31, 2015 and 2014, the Company has financial instruments classified as AFS included under non-current assets (see Note 11).

Other financial liabilities
This classification relates to financial liabilities that are not held for trading or not designated as FVPL upon the inception of the liability. These are initially recognized at fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are recognized at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any related issue costs, discount or premium.

Other financial liabilities pertain to 'Trade and other payables', 'Trust receipts payable' and 'Loans payable'.

Other financial liabilities include interest bearing loans and borrowings. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

Gains and losses are recognized under the "other income (charges)" account in the statement of comprehensive income when the liabilities are derecognized or impaired, as well as through amortization process.

Fair Value Measurement

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

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

The principal or the most advantageous market must be accessible to by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

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

For the purpose of fair value disclosures, the Company 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.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset is derecognized when:

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

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

Financial liabilities

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

Impairment of Financial Assets

At each reporting date, the Company assesses whether a financial asset or group of financial assets is impaired.

Loans and receivables

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets' carrying amount and the present value of the estimated future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is charged to the statement of comprehensive income. Interest income continues to be recognized based on the original effective interest rate of the asset. Loans and receivables, together with the associated allowance account, are written off when there is no realistic prospect of future recovery and all collateral has been realized. If, in a subsequent period, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. Time value is generally not considered when the effect of discounting is not material. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as type of borrower, collateral type, past-due status and term. Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

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

In the case of debt instruments classified as AFS financial assets, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. This is recorded as part of "Investment income" in the statement of comprehensive income. If in subsequent year, the fair value of a debt instrument increased and the increase can be objectively related to an event occurring after the impairment loss was recognized in the statement of comprehensive income, the impairment loss is reversed through the statement of comprehensive income.

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

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

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

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

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement 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 at gross in the statement of financial position.

Inventories
Inventories are valued at the lower of cost or net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Cost is determined by the weighted average method for newsprint and by first-in, first-out method for machinery spare parts and supplies. Cost comprises all costs of purchase, handling costs and other costs incurred in bringing the inventories to the present location or condition.

Allowance is provided for obsolescence due to deterioration, damage, bad quality, age and technological changes. Full obsolescence allowance is provided when the inventory is non-moving for more than one year. An allowance for market decline is also provided equivalent to the difference between the cost and the NRV of inventories. When inventories are sold, the related allowance is reversed in the same period.

Newsprint and printing supplies are consumed upon withdrawal from the storeroom for use in the daily printing of newspapers and magazines.

Prepayments
Prepayments, included under 'Other current assets' account in the statement of financial position, are expenses paid in advance and recorded as asset before they are utilized.This account comprises of prepaid insurance premiums, supplies and other prepaid items are apportioned over the period covered by the payment and charged to the appropriate accounts in profit or loss when incurred.Prepayments that are expected to be realized for no more than 12 months after the financial position date are classified as other non-current assets.

Value-Added Tax (VAT)
Input VAT is recognized which the Company purchases goods or services from a VAT registered supplier or vendor. This account is offset against any output VAT previously recognized. Input VAT on capital goods exceeding P1 million and input from purchases of goods, and services that remain unpaid at each reporting date are recognized as 'Deferred input VAT'.

Property, Plant and Equipment
Property, plant and equipment, except for land, are stated at cost less any accumulated depreciation. Cost of an item of property, plant and equipment comprises of its purchase price and any cost attributable in bringing the asset to its intended location and working condition. The cost of self-constructed assets includes the costs of materials and direct labor, and any other cost directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring to site on which they are located. Cost also includes interest and other financing charges on borrowed funds used to finance the acquisition of property and equipment to the extent incurred during the period of installation and construction.

Land is stated at cost less impairment in value, if any.

Major spare parts and stand-by equipment items that the Company expects to use more than one (1) period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Construction in progress, included in property, plant and equipment, is stated at cost. This cost includes cost of construction and other direct costs. Construction in progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Projects under construction are transferred to the related property, plant and equipment account when the construction or installation and related activities necessary to prepare the property, plant and equipment for their intended use are completed, and the property, plant and equipment are ready for service.

Subsequent costs
The cost of replacing of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The cost of the day-to-day servicing of property, plant and equipment are recognized in profit or loss as incurred.

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

Depreciation
Depreciation and amortization of property, plant and equipment commence, once the property, plant and equipment are available for use (i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Company) and are computed using the straight-line method over the estimated useful lives (EUL) of the assets regardless of utilization. Depreciation is recognized in profit or loss.

The EUL for each item of property, plant and equipment of the Company follows:

	Years
Buildings	10-20
Machineries and equipment	10-15
Furniture, fixtures and equipment	3-10
Transportation equipment	3-7

The cost of the leasehold improvements is amortized over the shorter of the covering lease term or the EUL of the improvements of 5-10 years.

Depreciation methods, useful lives and residual values are reassessed periodically to ensure that the periods and method of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

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

Derecognition
An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the statements of comprehensive income, in the year the item is derecognized.

Investment Properties
Investment propertiesconsist of land which is being held for capital appreciation. It ismeasured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at cost less impairment, if any.

An investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use or no future economic benefit is expected from its disposal.

Intangible Asset
Goodwill
Goodwill represents the excess of cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill on acquisitions is not amortized but is reviewed for impairment, annually or more frequently if events of changes in circumstances indicate that the carrying value may be impaired.

Impairment of Non-Financial Assets
The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates using the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

Equity
Share capital is recognized as issued when the stock is paid for or subscribed under a binding subscription agreement and is measured at par value. The transaction costs incurred as a necessary part of that transaction and are deducted from paid-in capital, net of related income tax benefit.

Retained earnings represent accumulated profit attributable to equity holders of the Company after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy as may be required by the standards transitional provision.

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the share capital account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in the statement of comprehensive income on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Other comprehensive income (OCI) are items of income and expenses that are not recognized in profit or loss for the year in accordance with PFRS.

Revenue Recognition

Revenue is recognized when it is probable that the economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Revenue is measured by reference to the fair value of consideration received or receivable by the Company. The Company assesses its revenue arrangement against specific criteria to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognized:

Advertising

Advertising revenue is recognized as income on the dates the advertisements are published. The fair values of barter transactions from advertisements exchanged for assets or services are included in advertising revenue and the related accounts.

Goods received in exchange for advertisement pursuant to ex-deal transactions executed between the Company and its customers are recorded at fair value of assets received or receivable. When the fair value of the consideration received cannot be measured reliably, the revenue is measured at the fair value of services provided, adjusted by the amount of any cash or cash equivalents transferred.

Circulation

Revenue from circulation which consists of sales of daily newspapers and theweekly and monthly magazinesis recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amounts of revenue can be measured reliably. This is stated net of sales discounts, returns and allowances.

Rental income

Rental income is recognized in the statement of comprehensive income when earned in accordance with the term of the lease agreement and on a straight-line basis over the term of the lease.

Dividend income

Dividend income from investment is recognized in the period in which the Company's right to receive payment has been established.

Royalty income

Royalty income is recognized as the royalty accrues in accordance with the substance of the relevant agreement.

Interest income

Revenue is recognized when it is determined that such income will accrue to the Company taking into account the effective yield on the asset and is presented gross of applicable tax withheld by the banks.

Other income

Revenue from printing services is recognized when the services are rendered. Revenue from sale of scrap and spoiled newspapers is recognized upon delivery. Revenue from notarization is recognized when services are rendered.

Costs and Expenses
Cost and expenses are recognized in the statement of comprehensive income when decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably. Costs and expenses are recognized in profit and loss on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can be broadly or directly determined; or immediately when expenditures produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, cease to qualify, for recognition in the Company's statement of financial position as an asset.

Retirement Benefits
The Company maintains a funded, non-contributorydefined benefit retirement plan. TheCompany recognizes net defined benefit liability or asset which is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (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 any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.
Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

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

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

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

Borrowings and Borrowing Costs
All borrowings are initially recognized at the fair value of the consideration received less directly attributable debt issuance costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into consideration any issue costs, and any discount or premium of settlement.

Borrowing costs are generally expensed in the period in which they are incurred and are shown in the statements of comprehensive income. Borrowing costs and other finance costs incurred during the construction period on borrowing used to finance the construction of an asset are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset to its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate.

Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date, 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 inception of the lease only if one of the following applies:

(i) there is a change in contractual terms, other than a renewal or extension of the arrangement;
(ii) a renewal option is exercised or an extension is granted, unless that term of the renewal or extension was initially included in the lease term;
(iii) there is a change in the determination of whether fulfillment is dependent on a specified asset; or
(iv) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for any of the scenarios above, and at the date of renewal or extension period for the second scenario.

Company as a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Indirect costs incurred in negotiating an operating lease are added to the carrying value of the leased asset and recognized over the lease term on the same bases as the lease income. Minimum lease payments are recognized on a straight-line basis while the variable rent is recognized as an expense based on the terms of the leased contract.

Company as a lessor

Leases where the Company retains substantially all the risk and benefits of ownership of the assets are classified as operating leases. Contingent rents are recognized as revenue in the period in which they are earned.

Income Taxes

Current tax

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

Deferred tax

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

Deferred income tax liability is recognized for taxable temporary differences. Deferred income tax asset is recognized forcarryforward benefit of unused tax credits (minimum corporate income tax or MCIT) and unused tax losses (net operating loss carry over or NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefit of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each financial position 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 income tax to be utilized. Unrecognized deferred tax assets are reassessed at each financial position 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.

Deferred income tax assets and liabilities are measured at the tax rates that is expected to apply to the period when the asset is realized or settled, based on tax rate (and tax laws) that has been enacted or substantively enacted at the financial position date.

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.

Provision and Contingencies

Provision

Provision is recognized when: (a) the Company has a present obligation (legal or constructive) as a result of a past event; (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. Where the Company expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Provisions are reviewed at each financial position date and adjusted to reflect the current best estimate.

Contingencies

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Foreign Currency-denominated Transactions

The functional and presentation currency of the Company is the Philippine Peso. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the end of reporting period.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined. All foreign exchange differences are taken to profit or loss, except where it relates to equity securities where gains or losses are recognized directly in other OCI.

Earnings per Share (EPS)
Basic EPS is computed by dividing net income for the year attributable to equity holders of the Company by the weighted average number of common shares outstanding during the year, excluding capital stock purchased by the Company and treated as treasury shares after giving retroactive effect to stock dividends declared and stock rights exercised during the year, if any.

Diluted EPS amounts are calculated by dividing the net income for the year attributable to ordinary equity holders of the Company (after deducting interest on convertible preferred shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary

The Company does not have any dilutive potential common shares, thus, diluted EPS is the same as basic EPS.

Dividend Distributions
Cash dividends on common shares are recognized as a liability and deducted from equity when approved by the respective BOD of the Company. Stock dividends are treated as transfers from retained earnings to capital stock. Dividends for the year that are approved after the end of reporting period are dealt with as a non-adjusting event after the end of reporting period.

Related Party Relationships and Transactions
Related party relationship exists when the party has the ability to control, directly or indirectly, through one or more intermediaries, or exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting entity and its key management personnel, directors or stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationships, and not merely to the legal form.

Events after the End of Reporting Period
Events after the end of reporting period that provides additional information about the Company's position at the end of reporting period (adjusting event) are reflected in the financial statements. Events after the end of reporting period that are not adjusting events, if any, are disclosed when material to the financial statements.

3. Significant Accounting Judgments and Estimates

The preparation of the financial statements in accordance with PFRS requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the financial statements as they become reasonably determinable.

Estimates and judgments 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.

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

Revenue recognition
In making judgment, the management considered the detailed criteria for the recognition of revenue from the sale of goods set out in PAS 18 Revenue and, in particular, whether the Company had transferred to the buyer the significant risks and rewards of ownership of the goods.

Classification of financial instruments
The Company exercises judgment in classifying financial instruments in accordance with PAS 39. The Company classifies a financial instrument, or its components, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the Company's statements of financial position.

Operating leases agreement
The Company has entered into various lease agreements either as a lessor or as a lessee. Critical judgment was exercised by the management to distinguish each lease agreement as either an operating or finance lease by looking at the transfer or retention of significant risk and rewards of ownership of the properties covered by the agreements. All of the Company's lease agreements were determined as operating leases.

Rental income amounted toP7.04 million,P4.59 millionand P2.04 million in2015, 2014and2013, respectively (see Note 20).

Rental expense amounted toP14.07million,P20.41 million and P17.36 million in2015, 2014and 2013, respectively (see Notes19).

Distinction between investment properties and owner-occupied properties
The Company determines whether a property qualifies as investment property. In making its judgment, the Company considers whether the property generates cash flows largely independent of the other assets held by an entity. Owner-occupied properties generate cash flows that are attributable not only to property but also to the other assets used in the production or supply process.

Some properties consist of a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production of services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production of services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Company considers each property separately in making judgment.

The Company classifies all properties which have a portion that is earning rentals and another portion which are used in production of services or used in administrative purposes as owner-occupied properties based on the criterion above. In this case, such properties were included in the account "Property, plant equipment".

Estimates and Assumptions
The key assumptions concerning the future and other key sources of estimation uncertainties at the end of reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

Fair values of financial assets and liabilities
The Company carries certain financial assets at fair value, which requires extensive use of accounting estimates and judgments. Fair value determinations for financial assets and liabilities

are based generally on listed or quoted market prices. If prices are not readily determinable or if liquidating the positions is reasonably expected to affect market prices, fair value is based on either internal valuation models or management's estimate of amounts that could be realized under current market conditions, assuming an orderly liquidation over a reasonable period of time.

The fair values of the financial assets and liabilities as at December 31, 2015 and 2014 are disclosed in Note26.

Estimated allowance for impairment losses on trade receivables
The Company maintains an allowance for credit lossesbased on the results of the individual and collective assessments under PAS 39. Under the individual assessment, the Company is required to obtain the present value of estimated cash flows using the receivable's original effective interest rate. Impairment loss is determined as the difference between the receivables' carrying balance and the computed present value. Factors considered in individual assessment are payment history, past due status and term. The collective assessment would require the Company to group its receivables based on the credit risk characteristics (customer type, payment history, past due status and term) of the customers. Impairment loss is then determined based on historical loss experience of the receivables grouped per credit risk profile. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. The methodology and assumptions used for the individual and collective assessments are based on management's judgment and estimate. Therefore, the amount and timing of recorded expense for any period would differ depending on the judgments and estimates made for the year (see Note 5).

Net realizable value of inventories
The Company records a provision for excess of cost over the net realizable value of materials and supplies whenever the value of material and supplies becomes lower than cost due to damage, physical deterioration, obsolescence, change in price levels or other causes. The lower of cost or net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Materials and supplies identified to be obsolete and unusable are written off and charged as expense for the year.

The carrying values of inventories amounted toP1,348.57 million and P1,240.21 million as at December 31, 2015 and 2014, respectively. There were no provisions for inventory losses in 2015 and 2014 (see Note 6).

Impairment of AFS financial assets
The computation for the impairment of AFS financial assets requires an estimation of the present value of the expected future cash flows and the selection of an appropriate discount rate. An impairment issue arises when there is an objective evidence of impairment, which involves significant judgment. In making this judgment, the Company evaluates the financial health of the issuer, among others. In the case of AFS equity instruments, the Company expands its analysis to consider changes in the issuer's industry performance, legal and regulatory framework, and other factors that affect the recoverability of the Company's investments. Further, the impairment assessment would include an analysis of the significant or prolonged decline in fair value of the investments below its cost.

As at December 31, 2015 and 2014, the carrying value of the Company's AFS financial assets amounted to P0.3 million. (see Note 11).

Estimated useful lives of property, plant and equipment
The Company reviews annually the estimated useful lives of property, plant and equipment based on the period over which the assets are expected to be available for use and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned.

The related balances follow (see Note 8):

	2015	2014
Cost	**P 5,055,893,510**	P 5,012,560,226
Accumulated depreciation	**2,352,132,639**	2,276,655,957
Depreciation expense	**77,847,842**	79,235,535

Estimated useful lives of intangible assets with finite lives
The useful lives of intangible assets are assessed at the individual 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 the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflow for the Company.

Impairment of Non-Financial Assets
The Company assesses impairment on assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance relative to the expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business;
- significant negative industry or economic trends; and
- significant changes with an adverse effect on the Company during the period, or are expected to take place in the future, in the extent to which, or manner in which, an asset is used or is expected to be used.

An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's 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 while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

In determining the present value of estimated future cash flows expected to be generated from the continued use of the assets, the Company is required to make estimates and assumptions that can materially affect the financial statements.

No indications of impairment were noted on property, plant and equipment and investment property as at December 31, 2015 and 2014.

Recognition of deferred income tax assets
The Company reviews the carrying amounts of the deferred income tax assets at the end of each reporting period and adjusts the balance of deferred income tax assets to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax assets to be utilized. The Company's assessment on the recognition of deferred income tax assets on deductible temporary differences is based on the level and timing

of forecasted taxable income of the subsequent reporting periods. This forecast is based on the Company's past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Company will generate sufficient taxable income to allow all or part of the deferred income tax assets to be utilized.

As at December 31, 2015 and 2014, the carrying values of the Company's deferred tax assets net of deferred tax liability amounted to P49.61 million and P49.38 million, respectively.

Estimation of retirement benefits cost and liability
The cost of defined benefit retirement plans and as well as the present value of the retirement obligation are determined using actuarial valuations. The actuarial valuation involves making various assumptions. These include the determination of the discount rates, future salary increases, mortality rates and expected return on plan assets. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, defined benefit obligations are highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of government bonds that are denominated in the currency in which the benefits will be paid, with extrapolated maturities corresponding to the expected duration of the defined benefit obligation.

The mortality rate is based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rates for males and females and is modified accordingly with estimates of mortality improvements. Future salary increases and pension increases are based on expected future inflation rates for the specific country.

The prepaid benefitscost as at December 31, 2015 and 2014 amounted to P15.89 million and P6.48 million, respectively. Further details are provided in Note 21.

4. Cash

The account at December 31 consists of the following:

		2015		2014
Cash on hand	**P**	**8,939,584**	P	8,348,883
Cash in banks		**51,142,018**		101,869,577
	P	**60,081,602**	P	110,218,460

Cash in banks consist of savings, current and dollar deposits, which are unrestricted as to withdrawal. Peso and dollar deposits earned interest at the prevailing bank deposit rates.Interest income earned from cash in banks amounted to P45,291, P57,281and P51,132 in 2015, 2014 and 2013, respectively. As at December 31, 2015 and 2014, cash in bank includes foreign currency-denominated deposits amounting to US$25,509 and US$8,449,respectively (see Note 25).

5. Trade and OtherReceivables

The account at December 31 consists of the following:

	2015		2014
Trade	**P 1,810,680,734**	P	1,947,818,440
Receivable from ex-deal transactions	**199,316,450**		142,145,331
Others	**152,705,543**		68,757,724
	2,162,702,727		2,158,721,495
Allowance for credit losses	**62,011,862**		58,556,395
	P 2,100,690,865	P	2,100,165,100

Trade receivables are non-interest bearing and generally on a 60-day credit term. All provincial circulations are covered by post-dated checks.

Receivable from exchange deal transactions
Ex-deal agreements are contracts executed between the Company and its customers wherein advertising services are provided in exchange for goods or other valuable consideration. The advertising services provided by the Company approximate the fair value of assets to be received (see Note 11).

*Other receivables*are receivables from other revenues generated from commercial printing, gift certificates and credit cards which are collected within oneyear.

The Company evaluates the possibility of losses that may arise out of the non-collection of receivables based on a certain percentage of the outstanding balance of receivable and on an evaluation of the current status of the account. Allowance for credit losses relates to trade receivables. No allowance was provided on non-trade receivables. Changes in the allowance for credit lossesas at December 31, 2015 and 2014 are as follows:

	2015		2014
Balance, January 1	**P 58,556,395**	P	55,039,260
Provision for the year	**77,002,757**		3,517,135
Accounts written-off	**(73,547,290)**		-
	P 62,011,862	P	58,556,395

In 2015, the Company wrote-off long outstanding receivables amounting to P73.55 million since collectivity became uncertain based on management assessment (see Note 19).

6. Inventories

The account at December 31 consists of the following:

		2015		2014
News print	**P**	**1,150,121,988**	P	1,061,642,979
Printing materials, supplies and spare parts		**205,516,125**		185,637,552
Total costs		**1,355,638,113**		1,247,280,531
Less : Allowance for inventory writedown		**7,068,324**		7,068,324
Net realizable value	**P**	**1,348,569,789**	P	1,240,212,207

There are no transactions or events which occurred during the year involving the following:

- Declines subsequent to financial position date in market prices of inventory not protected by firm sales contract.
- Changes in pricing methods and the effects thereof;
- Unusual purchase commitments and accrued net losses, if any, on such commitments. (Losses which are expected to arise from firm and non-cancellable commitments for the future purchase of inventory items should, if material, be recognized in the accounts and separately disclosed in statements of comprehensive income);
- The amount of any substantial and unusual write downs.

The cost of inventories recognized as expense in the statement of comprehensive income amounted to P1,779.25million, P1,666.05 million and P1,749.30 millionin 2015, 2014 and 2013, respectively,are included as part of “Cost of sales and services” accounts(see Note 17).

None of the inventories are used to secure any existing outstanding loan obligation with any public financial institutions.

7. OtherCurrent Assets

The account at December 31 consists of the following**:**

		2015		2014
Prepaid expenses	**P**	**29,050,258**	P	109,276,101
Input VAT		**5,118,673**		7,993,471
Due to BIR		**100,652**		100,018
	P	**34,269,583**	P	117,369,590

Prepaid expenses consist mainly of insurance, postage, stationery and office supplies. These prepayments are being amortized within the next twelve (12) month period.

Input VAT is fully recoverable and can be applied against output VAT.

8. Property, Plant and Equipment

The rollforward analysis of this account follows:

2015	Land	Buildings	Leasehold improvements	Machinery, tools and equipment	Furniture, fixtures and equipment	Transportation equipment	Total
Cost							
At January 1, 2014	P254,015,916	P608,640,300	P 18,799,919	P 3,165,295,822	P888,426,651	P 77,381,618	P 5,012,560,226
Additions		3,322,141		41,022,681	8,181,944	1,177,678	53,704,444
Reclassifications	-	-	-	-	-	-	-
Disposal	(8,000,000)	(2,139,160)	-	-	-	(232,000)	(10,371,160)
At December 31, 2014	246,015,916	609,823,281	18,799,919	3,206,318,503	896,608,595	78,327,296	5,055,893,510
Accumulated depreciation and amortization							
At January 1, 2014	-	140,210,696	18,430,546	1,227,693,023	818,537,636	71,784,056	2,276,655,957
Depreciation and amortization	-	12,372,710	369,372	54,735,470	8,980,704	1,389,586	77,847,842
Disposal	-	(2,139,160)	-	-	-	(232,000)	(2,371,160)
At December 31, 2014	-	150,444,246	18,799,918	1,282,428,493	827,518,340	72,941,642	2,352,132,639
	P246,015,916	P459,379,035	P 1	P 1,923,890,010	P 69,090,255	P 5,385,654	P 2,703,760,871

2014	Land	Buildings	Leasehold improvements	Machinery, tools and equipment	Furniture, fixtures and equipment	Transportation equipment	Total
Cost							
At January 1, 2014	P266,444,459	P606,440,300	P 18,657,508	P 3,137,996,916	P877,009,772	P 77,037,868	P 4,983,586,823
Additions	-	-	1,124,554	28,516,763	11,416,879	343,750	41,401,946
Reclassifications	-	2,200,000	(982,143)	(1,217,857)	-	-	-
Disposal	(12,428,543)	-	-	-	-	-	(12,428,543)
At December 31, 2014	254,015,916	608,640,300	18,799,919	3,165,295,822	888,426,651	77,381,618	5,012,560,226
Accumulated depreciation and amortization							
At January 1, 2014	-	128,523,562	18,197,511	1,171,155,894	809,756,812	69,786,643	2,197,420,422
Depreciation and amortization	-	11,687,134	233,035	56,537,129	8,780,824	1,997,413	79,235,535
At December 31, 2014	-	140,210,696	18,430,546	1,227,693,023	818,537,636	71,784,056	2,276,655,957
	P254,015,916	P468,429,604	P 369,373	P 1,937,602,799	P 69,889,015	P 5,597,562	P 2,735,904,269

Included in the account furniture, fixtures and equipment is the total cost of upgraded versions of computer hardware and software for editorial, advertising, circulation and financial management systems.

The Company continues to modernize its facilities and it has computerized the entire process of preprinting until full-page output, including color. In addition, the Company acquired new machines for commercial printing, which are used for printing magazines, posters, catalogues and other collaterals; format printers were also installed for billboards and streamers. The upgrading and modernization of these facilities will be on a continuing basis.

The computer software embedded in a computer-controlled equipment which cannot operate without that specific software forms an integral part of the related equipment and cannot easily be replaced was recognized and included in machinery, tools and equipment.

Depreciation of property, plant and equipment are distributed as follows:

		2015		2014
Cost of printing (Note 17)	**P**	**54,735,470**	P	58,166,942
Operating expenses (Note 19)		**23,112,372**		21,068,593
	P	**77,847,842**	P	79,235,535

Included in machinery, tools and equipment is the cost of construction/installation of a plant facility which is still in process amounting to P380.31 million and P403.45 millionas at December 31, 2015 and 2014, respectively. This amount is not depreciated until the construction is completed and the asset is put into operational use.

Certain property and equipment with a carrying value of P654.23million and P671.13 million as at December 31, 2015 and 2014 were pledged as collateral to secure a loan. (see Note 14).

Fully depreciated property and equipment with cost amounting to P18.8 million and P17.50million in 2015 and 2014, respectively, are still being used by the Company.

9. Investment Property

Investment property representsa land located in Sta. Rosa, Laguna which is being held for capital appreciation and future development.

Measurement of fair value
In 2014, the fair value of investment property was determined by external, independent property valuers, having appropriate recognized professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property of P95 million has been categorized at a Level 3 fair value based on the inputs to the valuation technique used (see Note 26). There were no transfers between Levels 1 and 2 during the year.

Valuation technique and significant unobservable inputs
The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation Technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Market Data Approach		
Fair value is determined based on the sales and listings of comparable property registered in the vicinity.	Asking price per square meter (P50,000 - P80,000)	The higher the price of comparable properties, the higher the fair market value.

10. Goodwill

The Company recognized goodwill from acquisition of Tagalog daily newspaper, Balita, and weekly vernacular magazines, Liwayway, Bisaya, Hiligaynon and Bannawag amounting to P5.00 million. This asset is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

No impairment loss on goodwill was recognized in 2015 and 2014.

11. Other Non-current Assets

The account as at December 31 consistof the following:

		2015		2014
Deferred input tax	**P**	**106,141,341**	P	102,230,009
Rental and other deposits		**7,102,306**		6,555,835
Available-for-sale investments		**315,000**		315,000
Others (Note 5)		**53,101,287**		53,101,287
	P	**166,659,934**	P	162,202,131

Deferred input tax pertains to various purchases of goods and services which cannot be claimed yet as credits against output VAT liabilities pursuant to the existing VAT rules and regulations. However, these can be applied on future output VAT liabilities.

Rental and other deposits represent deposits for operating leases entered into by the Company as lessee. The security deposits are recoverable from the lessors at the end of the lease terms.

Available-for-sale financial assets are the Company's investment in Philippine Long Distance Corporation (PLDT), Meralco and proprietary shares. The fair value of Meralco and PLDT shares equal its year-end book value while the proprietary shares are carried at cost less any impairment. Details of this account are as follow:

		2015		2014
PLDT	**P**	**181,950**	P	181,950
Proprietary shares		**315,000**		315,000
		496,950		496,950
Less allowance for impairment		**(181,950)**		(181,950)
	P	**315,000**	P	315,000

The PLDT and Meralcoshares represent stocks held by the Company under the investee's Subscribers Investment Plan. This is in connection with the various telephone and power lines acquired by the Company.

Other assets consist mainly of landand other properties acquired as payments of receivables from ex-deal transactions. As at December 31, 2015 and 2014, these properties are classified under other asset account pending disposal, and are measured at lower of their cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated cost necessary to make the sale. Cost as recognized as the fair market value at the time of the execution of ex-deal contracts, which should not be higher than the appraised values of the properties. In determining the recoverability of the assets, management considers whether those assets are damage or if the selling price has declined. Also, management considers whether the estimated costs to be incurred have increased. The excess of the cost over the NRV is recognized

as provision for write-down of assets in the statement of comprehensive income. Assets under this classification are not subject to depreciation.

Management believes that the carrying amounts will be recovered principally through a sale transaction.

A gain for any subsequent increase in the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale of an asset can be recognized in profit or loss to the extent that it is not in excess of the cumulative impairment loss.

An extension of the period required to complete the sale does not preclude an asset from being classified as such if the delay is caused by events or circumstances beyond the control of the Company and there is sufficient evidence that the Company remains committed to its plan to sell the assets.

12. Trade and Other Payables

The account as at December 31 consists of the following:

	2015	2014
Trade	**P 1,813,954,066**	P 2,141,726,887
Deferred output VAT payable	**115,900,999**	111,534,883
Accrued expenses	**90,429,451**	94,678,973
Withholding taxes payable	**5,412,511**	29,072,113
Output VAT	**4,822,281**	7,782,719
Premiums payable	**2,446,940**	2,584,457
	P 2,032,966,248	P 2,387,380,032

Trade payables pertain to unpaid billings to suppliers of raw materials which are normally settled within ninety (90) days. Trade payables do not bear any interest.

Accrued expenses consist mainly of accruals for salaries and various operating expenses which are normally settled within the next financial year.

*Deferred output VAT payable*pertains to vatable sales which are not collected as at December 31, 2015 and 2014. Theyare expected to be remitted to the government (net of input VAT) immediately upon collection of related receivables which are expected to be settled within twelve (12) months.

Premiums payable pertain to SSS, HDMF, healthcare, housing and other loans of the Company's employees.

13. Trust receipts payable

This account represents the payables incurred in the importation of newsprint materials, which are released to the Company under Trust Receipts (TR) Agreements with a bank. Under a TR Agreement, title to or ownership of the assets covered by the TR Agreements theoretically remains with the Bank until the TR payables are fully paid. The inventory of newsprint materials, which is the major component in the production of newspapers and magazines, is maintained at a level that approximates the corresponding level of the TR obligation. The TR payables, which are due from 25 to 152 days, carry interest rate that ranges from 3.50% to 4.50%.

As at December 31, 2015 and 2014, trust receipts payable amounted to P187.74 million and P196.54 million, respectively.

14. Loans Payable

This account consists of:

		2015		2014
Current	**P**	**120,000,000**	P	110,000,000
Noncurrent		**745,000,000**		489,500,000
	P	**865,000,000**	P	599,500,000

The Company's loans payable are the credit facilities obtained from private banking institutions. The proceeds of the loans were used for the expansion of production facilities.

In 2015, the Company acquired new long-term loans payable maturing until September 29, 2020 and bears interest ranging to 3.0%-4.5% payable in a lump-sum basis.

In 2014, loans payable mature until July 12, 2026 and bear interest rates ranging from 11%-14%.Under the loan agreements, the company is required to pay P5,000,000 monthly however, during 2015, the Company accelerated the payments and paid all loans to accommodate new loans with lower interest rate.

In case of default in the payment of any installment and/or interest and/or other charges on the loans, as and when the same become due and payable, the entire principal, interest and other charges shall immediately become due and payable. As penalty for delinquency, 2% per month based on outstanding balance including unpaid interest and other charges will be computed from the date of default until full payment of the obligation. During 2015 and 2014, the Company has no default in any loan payment including the interest and breaches with loan agreements.

The maturities of loans payable at nominal values as at December 31, 2015 and 2014 follow:

		2015			
Description	**Interest rates**	**Within 1 year**	**More than 1 year but less than 3 years**	**More than 3 years**	**Total**
Term loans	3.0%-4.5%	P 120,000,000	P -	P 745,000,000	P 865,000,000

		2014			
Description	Interest rates	Within 1 year	More than 1 year but less than 3 years	More than 3 years	Total
Term loans	11%-14%	P 110,000,000	P 220,000,000	P 269,500,000	P 599,500,000

The fair value of current borrowings equals their carrying amount, as the impact of discounting is not significant.

The Company is required to comply with certain loan covenants, including maintenance of certain financial ratios at the year end of every financial year. As at December 31, 2015 and 2014, the Company is in compliance with the loan covenant.

The details of machineries and equipment pledged as security on loans payable follows (Note 8):

		2015		2014
Cost	**P**	**844,677,850**	P	844,677,850
Accumulated depreciation		**(190,444,724)**		(173,551,166)
	P	**654,233,126**	P	671,126,684

Total interest expense recognized amounted to P43.20 million, P46.40 million and P46.63million in 2015, 2014 and 2013.

The Company has no undrawn borrowing facilities.

15. Equity

Capital stock:

The details are as follow:

		2015		2014
Authorized - 6,000,000,000 common shares par value at P1 per share	**P**	**6,000,000,000**	P	6,000,000,000
Issued and subscribed		**3,374,508,215**		3,276,493,160
Treasury shares		**16,347,977**		16,347,977

The issued and outstanding shares of the Company are owned by two thousand seven hundred sixty five (2,765) stockholders of whom two thousand six hundred seventy seven (2,677) stockholders each own 100 or more shares.

Retained Earnings and Dividends

In the meeting held on July 9, 2015, the BOD unanimously approved (and ratified by the shareholders at the annual stockholders' meeting on the same date) the declaration of a P98.02 million stock dividends to be taken from the unrestricted retained earnings of the Company as at December 31, 2014. Moreover, the BOD also approved the issuance of 98,015,055 shares with a par value of one peso (P1.00) per share from its authorized and unissued capital stock.

In a special meeting held on July 10, 2014, the BOD unanimously approved (and ratified by the shareholders at the annual stockholders' meeting on the same date) the declaration of a P95.16 million stock dividends to be taken from the unrestricted retained earnings of the Company as at December 31, 2013. Moreover, the BOD also approved the issuance of 95,160,248 shares with a par value of one peso (P1.00) per share from its authorized and unissued capital stock.

The stock dividend of 98,015,055 shares and 95,160,248shares is equivalent to 3% based on the issued and outstanding capital stock of the Company of 3,276,493,160 and 3,172,008,262 (net of treasury shares 9,324,650)shares with a par value of One Peso (P1.00) in 2015 and 2014, respectively.

16. Revenues

The revenue from advertising and circulation for the years ended December 31, 2015, 2014 and 2013 are as follows:

	2015	2014	2013
Advertising	**P 1,482,752,344**	P 1,439,002,316	P1,578,038,313
Circulation	**1,572,890,738**	1,561,287,249	1,598,771,627
	3,055,643,082	3,000,289,565	3,176,809,940
Less:			
Sales return	**249,681,509**	260,602,054	277,391,449
	P 2,805,961,573	P 2,739,687,511	P2,899,418,491

17. Cost of Sales and Services

The account as of December 31 consists of the following:

	2015	2014	2013
Newsprint, ink and press supplies	**P 1,779,253,593**	P1,666,049,682	P1,749,298,301
Depreciation of machinery and equipment (note 8)	**54,735,470**	58,166,942	60,102,806
	P 1,833,989,063	P1,724,216,624	P1,809,401,107

18. Other Operating Income

The account as of December 31 consists of the following:

	2015	2014	2013
Printing services	**P 91,776,827**	P 65,919,917	P 76,688,273
Sale of spoiled newpapers	**34,260,978**	34,339,627	38,710,784
Sale of scrap newspapers	**9,366,174**	7,966,115	10,333,562
Sale of newsprint wastes	**-**	-	154,554
Income from notarization	**644,755**	576,290	562,652
Miscellaneous	**4,752,427**	13,997,638	6,509,544
	P 140,801,161	P 122,799,587	P 132,959,369

Miscellaneous income includes revenue from additional price that the Company charges for special designs, colors and borders of advertisement.

19. Operating Expenses

This account consists of the following:

		2015		2014		2013
Salaries and employee benefits	**P**	**261,212,808**	P	331,016,817	P	306,178,975
Freight and handling charges		**140,002,780**		153,827,792		148,294,633
Communication, light and water		**102,222,337**		94,322,823		88,715,755
Security and janitorial		**89,498,951**		77,149,594		75,336,561
Advertising and promotions		**85,915,342**		89,212,888		95,601,490
Provision for credit losses (Note 5)		**77,002,757**		3,517,135		3,763,136
Features purchased and news services		**43,990,041**		50,012,979		42,416,256
Transportation and travel		**37,758,174**		26,922,397		21,121,101
Depreciation expense (Note 8)		**23,112,372**		21,068,593		25,486,171
Taxes and licenses		**17,691,241**		17,801,643		14,007,780
Repairs and maintenance		**14,824,450**		38,070,600		37,767,601
Rental expense (Note 24)		**14,068,922**		20,413,353		17,364,858
Entertainment and representation		**13,316,985**		7,552,577		9,319,169
Stationery and office supplies		**12,138,158**		10,983,754		10,936,053
Gas and oil		**10,844,053**		15,967,580		15,556,073
SSS and Pag-ibig premiums		**9,478,112**		7,359,244		7,603,850
Documentary stamps		**8,617,837**		4,389,096		1,947,803
Insurance		**8,118,245**		9,750,930		9,024,971
Commission		**4,179,602**		4,528,775		4,638,152
Professional fees		**2,912,298**		1,254,774		838,935
Charitable contributions		**2,720,432**		875,000		563,839
Membership dues and subscriptions		**1,796,641**		1,696,299		2,106,653
Others		**16,139,641**		394,069		63,523,229
	P	**997,562,179**	P	988,088,712	P	1,002,113,044

20. Other Income

The account as at December 31 consists of the following:

		2015		2014		2013
Rental income (Note 24)	**P**	**7,036,779**	P	4,587,836	P	2,044,179
Royalty income		**2,307,763**		1,787,935		1,343,180
Income from events		**234,060**		-		-
Interest income (Note 4)		**45,291**		57,281		51,132
Foreign exchange gain (loss)		**(7,973)**		28,357		(322,854)
Gain on disposal of property and equipment (Note 8)		**-**		1,571,458		-
Dividend income		**-**		-		10,157
	P	**9,615,920**	P	8,032,867	P	3,125,794

21. Income Tax

The Company's provision for income tax includes the regular corporate income tax (RCIT), minimum corporate income tax (MCIT) and final tax paid at the rate of 20% for peso deposits and 7.50% for foreign currency deposits which are final withholding tax on gross interest income. These income taxes as well as the deferred tax provisions are presented under provision for income tax in the statement of comprehensive income. Details follow:

	2015	2014	2013
Current	**P 22,548,175**	P 34,041,780	P 54,018,607
Deferred	**(1,047,539)**	(8,570,609)	(1,984,920)
	P 21,500,636	P 25,471,171	P 52,033,687

The corporate income tax is 30% in 2015, 2014 and 2013.

Areconciliation of income tax computed at the statutory income tax rate to the provision for income tax follows:

	2015	2014	2013
Statutory income tax	**P 24,489,309**	P 33,543,041	P 53,209,088
Tax effects on:			
Income subjected to final tax	**(705,916)**	(17,184)	(418,293)
Tax exempt income	**-**	(536,381)	(3,047)
Non-taxable income	**-**	(8,507)	-
Allowable expenses	**(2,278,733)**	-	-
Unallowable expenses	**1,043,515**	1,060,811	1,230,859
	P 22,548,175	P 34,041,780	P 54,018,607

The following are the composition of deferred income tax recognized by the Company:

	2015	2014
Deferred tax asset		
Allowance for impairment	**P 18,603,559**	P 17,566,919
Accumulated actuarial losses	**31,000,054**	31,823,310
Unrealized gain on foreign exchange	**2,391**	(8,507)
	P 49,606,004	P 49,381,722

The movements of the deferred income tax assets are as follows:

	2015			
	Balance at beginning of year	**Charged to income**	**Charged to equity**	**Balance at end of year**
Prepaid benefit obligation	**P 31,823,311**	**P -**	**P (823,258)**	**31,000,054**
Unrealized gain (loss) on foreign exchange	**(8,508)**	**10,899**	**-**	**2,391**
Allowance for impairment losses	**17,566,919**	**1,036,640**	**-**	**18,603,559**
	P 49,381,722	**P 1,047,539**	**P (823,258)**	**P 49,606,004**

	2014			
	Balance at beginning of year	Charged to income	Charged to equity	Balance at end of year
Prepaid benefit obligation	P 18,927,019	P 7,456,539	P 5,439,752	31,823,311
Unrealized gain (loss) on foreign exchange	(67,437)	58,929	-	(8,508)
Allowance for impairment losses	16,511,778	1,055,141	-	17,566,919
	P 35,371,360	P 8,570,609	P 5,439,752	P 49,381,722

22. Retirement Plan

The Company has a funded, non-contributory retirement plan, administered by a common retirement trustee, covering its employees on regular status. Retirement benefits are provided for under the Collective Bargaining Agreement (CBA). Pertinent provision of the Agreement provides for, the payment of gratuity benefits based on the longevity of service to resigned employees. However, under Section 4, Article X of the agreement, the Company at its option, may retire any employee or worker who had rendered at least 20 years of service or had reached the age of 60 years on his birthday by paying him full benefits provided in Section 1 of the same Article.

The Company set up a fund to fully cover the estimated liability for retirement benefits. As a result, the Company maintains a separate bank account exclusively for the purpose of the plan.

All officers and regular employees are allowed to borrow from the retirement fund. The Treasurer of the Company oversees the management of the said retirement fund.

Net benefit expenses recognized in the statements of comprehensive income are as follows:

	2015	2014	2013
Current service cost	**P 10,770,844**	P 9,373,969	P 8,509,899
Net interest cost	**(297,950)**	(578,425)	(971,320)
	P 10,472,894	P 8,795,544	P 7,538,579

The retirement expense (included in ‘salaries and wages’) is recognized in operating expenses.

Net interest cost is broken down as follows:

	2015	2014	2013
Interest expense	**P 7,589,037**	P 8,063,740	P 8,090,744
Expescted interest income	**(7,886,987)**	(8,642,165)	(9,062,064)
	P (297,950)	P (578,425)	P (971,320)

The amounts recognized in the Company’s statements of financial position are as follows:

	2015	2014
Fair value of plan asset	**P 169,721,028**	P 171,456,245
Present value of obligation	**153,829,911**	164,979,056
Prepaid benefit obligation	**P 15,891,117**	P 6,477,189

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

		2015		2014
Balance at beginning of year	**P**	**171,456,245**	P	176,370,715
Expected interest income		**7,886,987**		8,642,165
Contributions		**17,142,631**		21,600,638
Benefits paid		**(18,068,671)**		(26,515,108)
Actuarial gain (loss)		**(8,696,164)**		(8,642,165)
Balance at end of year	**P**	**169,721,028**	P	171,456,245

Changes in the present value of defined benefit obligations are as follows:

		2015		2014
Balance beginning of year	**P**	**164,979,056**	P	164,566,113
Current service cost		**10,770,844**		9,373,969
Net interest cost		**7,589,037**		8,063,740
Benefits paid		**(18,068,671)**		(26,515,108)
Actuarial loss/(gain) due to:				
Experience adjustments		**(6,045,595)**		5,253,962
Change in financial assumptions		**(5,394,760)**		4,236,380
Change in demographic assumptions		**-**		-
Balance at end of year	**P**	**153,829,911**	P	164,979,056

The movement in the plan asset recognized in the statement of financial position is as follow:

		2015		2014
Balance at beginning of year	**P**	**6,477,189**	P	11,804,602
Total retirement expense		**(10,472,894)**		(8,795,544)
Total actuarial losses recognized in OCI		**2,744,191**		(18,132,507)
Actual contributions		**17,142,631**		21,600,638
Balance at end of year	**P**	**15,891,117**	P	6,477,189

The movement accumulated actuarial losses recognized in the statement of financial position is as follow:

		2015		2014
Balance at beginning of year	**P**	**(106,077,701)**	P	(87,945,194)
Actuarial gains (loss) for the year				
Defined benefit obligation		**11,440,355**		(9,490,342)
Plan asset		**(8,696,164)**		(8,642,165)
Actuarial gains (losses) recognized during the year		**2,744,191**		(18,132,507)
Balance at end of year	**P**	**(103,333,510)**	P	(106,077,701)

Plan asset composed of the following:

		2015		2014
Retirement fund account	**P**	**155,814,444**	P	158,228,746
Advances to officers and employees		**13,906,584**		13,227,499
Prepaid benefit obligation	**P**	**169,721,028**	P	171,456,245

Shown below is the maturity profile of the undiscounted benefit payments:

Plan Year		Expected Benefit Payments
1 - 5 years	P	72,214,843
6 -10 years		65,249,281
11 - 15 years		88,215,195
16 years and up		269,506,522

The assumptions used to determine retirement benefits of the Company are as follows:

	2015	2014
Discount rate	**5.00%**	4.60%
Salary increase rate	**3.00%**	3.00%

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2015, assuming all other assumptions were held constant:

	Increase (decrease)	Impact on defined benefit obligation Increase (decrease)
Discount rates	+0.50%	(22,188,852)
	-0.50%	(9,094,952)
Salary increase rate	+0.50%	(9,639,148)
	-0.50%	(21,734,096)

The assumptions regarding future mortality rates are based on the 1994 Group Annuity Mortality Table developed by the Society of Actuaries, which provides separate rate for males and females.

In 2015 and 2014, Company applied a single weighted average discount rate that reflects the estimated timing and amount of benefit payments.

23. Earnings Per Share

Basic earnings per share are computed as follows:

		2015		2014	2013
Net income	**P**	**60,130,394**	P	86,338,964	P 125,329,941
Divide by: weighted average number of outstanding shares		**3,316,176,038**		3,219,588,386	3,096,484,256
		P 0.02		P 0.03	P 0.04

There were no potential dilutive shares as of December 31, 2015, 2014 and 2013.

24. Commitments

Operating lease commitments – Company as lessee
The Company leases properties for the Company's branch office space. The operating lease agreements are renewable every 1-5 yearsdepending onthe terms and conditions. There is no escalation clauses stated in the contracts. Total rental expense amounted toP14.07 million,P20.41 million and P17.36 million in 2015, 2014 and 2013, respectively. Future minimum rentals payable under non-cancellable operating leases as of December 31 are as follows:

		2015		2014
Within one year	**P**	**13,522,756**	P	14,633,256
More than one year up to five years		**13,928,439**		15,066,325
	P	**27,451,195**	P	29,699,581

Operating lease commitment – Company as lessor
The Company has entered into operating lease agreement covering a building owned located in Caloocan City.The leases typically run from 1 year to 5 years, with the option to renew the lease after that date. There is a 10% escalation on rentals per annum. Rental income from leased properties which are included in "Other income" account in the statements of income amounted toP7.04million,P4.59 million and P2.04 million in 2015, 2014 and 2013, respectively (see Note 20). Future minimum rental receivables under non-cancellable operating leases as of December 31 are as follows:

		2015		2014
Within one year	**P**	**6,922,623**	P	2,924,262
More than one year up to five years		**20,767,869**		9,536,228
	P	**27,690,492**	P	12,460,490

25. Financial Risk Management

Overview
The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for the measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit Risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and other financial instruments.

Trade and other receivables
The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry in which the customers operate, has less of an influence on credit risk.

Approximately .001percent of the Company's revenue is attributable to sales transactions with a single customer. However, geographically there is no concentration of credit risk.

The Credit Committee has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and conditions are offered. The Company's review includes external ratings, where available, and in some cases bank references. Credit limits are established for each customer, which represents the maximum open amount without requiring approval from the Credit Committee; these limits are reviewed quarterly. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

More than 30 percent of the Company's customers have been transacting with the Company for over 20 years, and losses have occurred infrequently. In monitoring customer credit risk, customers are group according to their credit characteristics, including whether they are an individual or legal entity, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Company's valued clients. Customers that are graded as "high risk" are placed on a restricted customer list, and future sales are made on a prepayment basis.

The Company establishes an allowance for credit losses that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are specific loss component that relates to individually significant exposures. The allowance is determined based on historical data or aging of accounts.

The maximum exposure of the Company to credit risk as of December 31, 2015 and 2014 is as follows:

		2015		2014
Cash in banks	**P**	**51,142,018**	P	101,869,577
Receivables				
Trade		**1,810,680,734**		1,947,818,440
Others		**152,705,543**		68,757,724
Other noncurrent assets				
Available for sale investments		**315,000**		315,000
Rental and other deposits		**7,102,306**		6,555,835
	P	**2,021,945,601**	P	2,125,316,576

Credit quality of financial assets
The following tables summarize the credit quality of the Company's financial assets as of December 31.

	2015				
	Neither past due nor impaired				
	High grade	**Standard grade**	**Substandard grade**	**Past due but not impaired**	**Total**
	(amounts in thousands)				
Cash in banks	**P 51,142**	**P -**	**P -**	**P -**	**P 51,142**
Receivables					
Trade	**1,086,409**	**-**	**62,012**	**662,260**	**1,810,681**
Others	**152,706**	**-**	**-**	**-**	**152,706**
Other noncurrent assets					
Available for sale investments	**315**	**-**	**-**	**-**	**315**
Rental and other deposits	**7,102**	**-**	**-**	**-**	**7,102**
	P 1,297,674	**P -**	**P 62,012**	**P 662,260**	**P 2,021,946**

	2014				
	Neither past due nor impaired				
	High grade	Standard grade	Substandard grade	Past due but not impaired	Total
	(amounts in thousands)				
Cash in banks	P 101,870	P -	P -	P -	P 101,870
Receivables					
Trade	1,177,883	-	58,556	711,379	1,947,818
Others	68,758	-	-	-	68,758
Other noncurrent assets					
Available for sale investments	315	-	-	-	315
Rental and other deposits	6,556	-	-	-	6,556
	P 1,355,382	P -	P 58,556	P 711,379	P 2,125,317

High grade accounts, other than cash are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits. Standard grade accounts are active accounts with propensity of deteriorating to mid-range age buckets. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly. Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow up actions and extended payment terms.

Financial assets that are past due but not impaired
The tables below summarize the aging analysis of past due but not impaired accounts receivable-trade as at December 31, 2015 and 2014.

	2015	2014
	(amounts in thousands)	
Less than 30 days	**P 396,318**	P 427,674
31-60 days	**75,034**	80,971
61-90 days	**53,575**	57,814
91 days - 1 year	**53,647**	57,891
Over 1 year	**80,648**	87,029
	P 659,222	P 711,379

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company focuses on its cash sales transactions, which assists it in monitoring cash flow requirements and optimizing its cash returns on investments, specifically on modern machineries. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30days, including the servicing of financial obligation; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Company maintains the lines of credit with certain local bank.

The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The key measure used by the Company for managing liquidity risk is the net liquidity gaps between assets and liabilities as to maturity. The details of the reported net liquidity gaps at the reporting date shown below:

	2015				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
	(amounts in thousands)				
Financial assets					
Cash	P 51,142	P -	P -	P -	P 51,142
Trade and other receivables					
Trade	579,418	506,991	525,097	199,175	1,810,681
Others	152,706	-	-	-	152,706
Other noncurrent assets					
Available for sale investments	315	-	-	-	315
Rental and other deposits	7,102	-	-	-	7,102
	P 790,683	P 506,991	P 525,097	P 199,175	P 2,021,946
Financial liabilities					
Trade and other payables	833,516	223,626	975,824	-	2,032,966
Trust receipts payable	-	-	187,744	-	187,744
Loans payable	-	-	120,000	745,000	865,000
	833,516	223,626	1,283,568	745,000	3,085,710
Net liquidity surplus (gap)	P (42,833)	P 283,364	P (758,470)	P (545,825)	P (1,063,764)

	2014				
	Less than 1 month	1 to 3 months	3 months to 1 year	Over 1 year	Total
			(amounts in thousands)		
Financial assets					
Cash	P 101,870	P -	P -	P -	P 101,870
Trade and other receivables					
Trade	623,302	545,389	564,867	214,260	1,947,818
Others	68,758	-	-	-	68,758
Other noncurrent assets					
Available for sale investments	315	-	-	-	315
Rental and other deposits	6,556	-	-	-	6,556
	P 800,801	P 545,389	P 564,867	P 214,260	P 2,125,317
Financial liabilities					
Trade and other payables	978,826	262,612	1,145,942	-	2,387,380
Trust receipts payable	-	-	196,543	-	196,543
Loans payable	-	-	110,000	489,500	599,500
	978,826	262,612	1,452,485	489,500	3,183,423
Net liquidity surplus (gap)	P (178,025)	P 282,777	P (887,618)	P (275,240)	P (1,058,106)

The tables above summarize the maturity profile of the company's financial assets and liabilities as at December 31, 2015 and 2014, based on undiscounted cash flows, including interest due.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Foreign exchange risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured.

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar rate, with all variables held constant, of the Company's profit before tax (due to change in the fair value of monetary asset) and the Company's equity.

Increase/Decrease in US$	Effect on income before income tax	Effect on equity
2015		
+1	**P 8,770**	**P 6,139**
- 1	**(8,858)**	**(6,201)**
2014		
+1	P 3,310	P 2,317
- 1	(3,380)	(2,366)

Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognized in the statement of financial position.

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's short-term and long-term debt obligations. The Company's policy is to manage its interest cost using a mix of fixed and variable rate debt.

The following table demonstrates the sensitivity to the Company's profit before tax and equity to a reasonably possible change in interest rates on December 31, 2015 and 2014, with all variable held constant.

Increase/Decrease in basis points	Effect on income before income tax	Effect on equity
2015		
+100	**P (16,181,391)**	**P (11,326,974)**
- 100	**16,149,093**	**11,304,365**
2014		
+100	P (16,258,587)	P (11,381,011)
- 100	16,224,559	11,357,191

The terms and maturity profile of the interest-bearing financial assets and liabilities that are exposed to interest rate risks, together with the corresponding nominal amounts and carrying values, are shown below:

2015

	Interest terms (p.a.)	Rate fixing period	Nominal amount	less than 1 year	1 to 5 years	Carrying value
Cash in banks	Fixed at the date of investment	Various	P 51,142,018	P 51,142,018	P -	P 51,142,018
Trust receipts payable	Variable ranging from 3.50% to 4.50%	Monthly	187,744,472	187,744,472	-	187,744,472
Loans payable	Variable ranging from 3.0 to 4.50%	Quarterly	865,000,000	120,000,000	745,000,000	865,000,000

2014

	Interest terms (p.a.)	Rate fixing period	Nominal amount	less than 1 year	1 to 5 years	Carrying value
Cash in banks	Fixed at the date of investment	Various	P 101,869,577	P 101,869,577	P -	P 101,869,577
Trust receipts payable	Variable ranging from 3.50% to 4.50%	Monthly	196,542,954	196,542,954	-	196,542,954
Loans payable	Variable ranging from 11% to 14%	Quarterly	599,500,000	110,000,000	489,500,000	599,500,000

Capital management

The primary objective of the Company's capital management policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the return on equity, which defines as total shareholders' equity, and the level of dividends to ordinary shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the company may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objective, policies or processes for the years ended December 31, 2015 and 2014.

The Company monitors capital using the gearing ratio of debt to equity and net debt to equity. Debt consists of bills payable and long-term debt. Net debt includes bills payable and long-term debt less cash. The Company considers as capital the equity attributable to equity holders of the Company.

		2015		2014
Trust receipts payable	**P**	**187,744,472**	P	196,542,954
Long-term debt		**865,000,000**		599,500,000
Total debt		**1,052,744,472**		796,042,954
Less: Cash		**60,081,602**		110,218,460
Net debt		**992,662,870**		685,824,494
Equity		**3,487,281,053**		3,425,229,726
Debt to equity		**30%**		23%
Net debt to equity		**28%**		20%

The Company strategy is to maintain debt to equity ratio of 30% and net debt to equity ratio of 28%.

The Company has complied with the maintenance of financial ratios with its loan covenants.

There are no other externally imposed capital requirements that the Company has to comply.

26. Financial Assets and Liabilities

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

		2015			2014		
		Carrying amount		**Fair value**	Carrying amount		Fair value
				(amounts in thousands)			
Financial assets							
Cash	**P**	**60,082**	**P**	**60,082**	P 110,218	P	110,218
Trade and other receivables							
Trade - net		**1,748,669**		**1,748,669**	1,889,262		1,889,262
Receivable from ex-deals		**199,316**		**199,316**	142,145		142,145
Others		**152,705**		**152,705**	68,758		68,758
Other non-current assets							
Available-for-sale investments		**315**		**315**	315		315
Rental and other deposits		**7,102**		**7,102**	6,556		6,556
	P	**2,168,189**	**P**	**2,168,189**	P 2,217,254	P	2,217,254
Financial liabilities							
Trade payable	**P**	**2,032,966**	**P**	**2,032,966**	P 2,387,380	P	2,387,380
Trust receipts payable		**187,744**		**187,744**	196,543		196,543
Loans payable		**865,000**		**865,000**	599,500		599,500
	P	**3,085,710**	**P**	**3,085,710**	P 3,183,423	P	3,183,423

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

Short-term financial instruments
Due to the short-term nature of the transactions, the carrying value of cash, trade and other receivables, trade payable andtrust receipts payable approximate their fair values.

Rental and other deposits
Rental and other deposits are non-current assets with contractual obligation to receive cash equal tothe amount paid at the termination of the contract. Its fair value approximates its carrying amount.

Available-for-sale financial assets
The fair values of publicly traded instruments and similar investments are based on quoted bid prices, and in the absence of a reliable basis of determining the fair values due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value, the unquoted equity securities are carried at cost less any impairment allowance.The Company's available-for-sale financial assets represent PLDT and MERALCO stocks held under the Investees' Subscribers Investment Plan and corporate proprietary shares.

Loans payable
The fair value of the long-term debt approximates its carrying value *due to the quarterly repricing of the instrument.*

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

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As of December 31, 2015 and 2014, the Company's financial instruments measured or carried at fair value under level 3 is available-for-sale investments only.

27. Related Party Transactions

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercise significant influence over the other party in making financial and operating decisions. Such relationship also exists between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its stockholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Transactions between related parties are based on terms similar to those offered to non-related parties.

Under the Company policy, shareholders are prohibited to obtain loans and advances from/to the Company.

In the ordinary course of business, the Company has transaction with the following affiliates under common control as follow:

		2015		
Related Party	Nature	**Amount/Volume**	**Outstanding balances**	Terms and Conditions
Parent Company				
US Automotive Co. Inc.				
Note 22	Rent expense	**9.1 million**		Lease term is for one (1) year
	Payments	**(9.1 million)**	**-**	period and renewable annually upon mutual agreement of the parties
Affiliated Companies				
Philtrust Bank (Philippine Trust Company)				
Note 16 and 5	Advertising revenue	**119.95 million**		Advertising rates charged are the
	Collection	**(87.68 million)**	**87.68 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Note 22	Rent expense	**1.70 million**		Lease term is for one (1) year
	Payments	**(1.70 million)**	**-**	period and renewable annually upon mutual agreement of the parties
Note 14	Loans payable	**745.00 million**		Payable in lump-sum; 3.5% interest rate
	Interest expense	**8.2 million**		payable in advance every 30 days.
	Payments	**(8.06 million)**	**745.14 million**	
Note 4	Cash in bank	**(15.78 million)**	**30.82 million**	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
Philtrust Realty Corporation				
Note 16 and 5	Advertising revenue	**32.58 million**		Advertising rates charged are the
	Collection	**(37.04 million)**	**22.46 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Euro-Med Laboratories Phil, Inc.				
Note 16 and 5	Advertising revenue	**12.67 million**		Advertising rates charged are the
	Collection	**(13.45 million)**	**2.56 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel				
Note 16 and 5	Advertising revenue	**76.55 million**		Advertising rates charged are the
	Collection	**(50.67 million)**	**50.67 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Centro Escolar University				
Note 16 and 5	Advertising revenue	**13.66 million**		Advertising rates charged are the
	Collection	**(12.09 million)**	**2.92 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Café France, Inc.				
Note 16 and 5	Advertising revenue	**.39 million**		Advertising rates charged are the
	Collection	**(.37 million)**	**.36 million**	same as charged to regular customers; Unsecured; and with a 30-day credit term
Advances to officers and employees				
Note 22	Prepaid benefits cost	**1.68 million**	**14.91 million**	Non-interest bearing; unimpaired

2014				
Related Party	Nature	Amount/Volume	Outstanding balances	Terms and Conditions
Parent Company				
US Automotive Co. Inc.				
Note 22	Rent expense	0.93 million		Lease term is for one (1) year
	Payments	(0.93 million)	-	period and renewable annually upon mutual agreement of the parties
Affiliated Companies				
Philtrust Bank (Philippine Trust Company)				
Note 16 and 5	Advertising revenue	44.20 million		Advertising rates charged are the
	Collection	-	55.40 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Note 22	Rent expense	2.0 million		Lease term is for one (1) year
	Payments	(2.0 Million)	-	period and renewable annually upon mutual agreement of the parties
Note 4	Cash in bank	10.04 million	46.60 million	Earn interest at the prevailing bank deposit rates; unimpaired; and unrestricted as to withdrawals
Philtrust Realty Corporation				
Note 16 and 5	Advertising revenue	49.34 million		Advertising rates charged are the
	Collection	(29.89 million)	26.93 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Euro-Med Laboratories Phil, Inc.				
Note 16 and 5	Advertising revenue	3.6 million		Advertising rates charged are the
	Collection	(10.3 million)	3.33 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Manila Hotel				
Note 16 and 5	Advertising revenue	.86 million		Advertising rates charged are the
	Collection	-	24.79 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Centro Escolar University				
Note 16 and 5	Advertising revenue	2.55 million		Advertising rates charged are the
	Collection	(8.97 million)	1.34 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Café France, Inc.				
Note 16 and 5	Advertising revenue	0.36 million		Advertising rates charged are the
	Collection	(0.02 million)	0.34 million	same as charged to regular customers; Unsecured; and with a 30-day credit term
Advances to officers and employees				
Note 22	Prepaid benefits cost	13.23 Million	13.23 Million	Non-interest bearing; unimpaired

Compensation of Key Management Personnel

The compensation of the Company's directors is stipulated in the By Laws of the Company which is 3% of the yearly net profits before payment of income tax is distributed among them in proportion to the number of regular special meetings of the BOD actually attended by each. The Company does not enter into an employment/management contract with any of its executive officers. The Company maintains retirement plan for all regular officers and employees. Retirement computations are the same both for executives and rank and file employees. There are no outstanding warrants or options held by directors and officers. The compensation of the Company's key management personnel by benefit type follows:

		2015		2014
Short-term benefits	P	**73,799,363**	P	103,932,053
Post employment benefits		**72,673,797**		68,525,206
	P	**146,473,160**	P	172,457,259

The short-term benefits are as follows:

		2015		2014
Salaries	P	**63,424,001**	P	61,770,516
Bonus		**8,116,538**		40,475,806
Directors' fee		**2,258,824**		1,685,731
	P	**73,799,363**	P	103,932,053

The Company does not use a management entity that provides management services or management personnel services.

There are no advances made to/from related party which are interest-bearing or non-interest-bearing.

Transactions with retirement plans
Under PFRS, certain post-employee benefit plans are considered related parties. The Company's retirement plan is maintained in a separate bank account which is being administered by the Company's treasurer. The fund consists of the following:

		2015		2014
Retirement fund account	P	**155,814,444**	P	158,228,746
Advances to officers and employees		**13,906,584**		13,227,499
Prepaid benefit obligation	P	**169,721,028**	P	171,456,245

The Company's contributions in retirement benefit amounted to P17.14 million in 2015 and P21.60 million in 2014.

28. Contingencies

As at December 31, 2015 and 2014, the Company has no contingencies since the Company is neither a plaintiff nor a defendant in any legal actions in or out of court.

29. Additional Disclosure Requirements of SRC Rule 68

Under the following disclosure requirements by SRC Rule 68, the Company has neither an existing plan nor a transaction involving the following:
a) Preferred shares.
b) Profit sharing and other similar plans.
c) Capital stock optioned, sold or offered for sale to directors, officers and key employees.
d) Warrants or rights outstanding.
e) Defaults

30. Supplementary Information Required Under Revenue Regulation No. 19-2011 and 15-2010

Supplementary Information Required Under RR No. 19-2011

On December 31, 2011, the BIR issued RR No. 19-2011 which prescribes the new annual income tax forms that will be used for filing effective taxable year 2012.

Revenues	
Net sales (see Note 16)	P 2,805,961,573
Cost of sales and services	
Newsprint, ink and press supplies	1,779,253,593
Depreciation of machinery and equipment	54,735,470
	1,833,989,063
Other taxable income	
Other operating revenue (Note 18)	140,801,161
Rental income	7,036,779
Event income	234,060
	148,072,000
Operating expenses	1,044,883,925
	P 75,160,585

Details of deductible expenses are as follows:

	2015
Salaries and employee benefits	P 250,739,914
Freight and handling charges	140,002,780
Communication, light and water	102,222,337
Security and janitorial	89,498,951
Advertising and promotions	85,915,342
Accounts' written-off (Note 5)	73,547,290
Features purchased and news services	43,990,041
Interest expense	43,181,436
Transportation and travel	37,758,174
Depreciation expense (Note 8)	23,112,372
Reritement benefits paid	18,068,671
Taxes and licenses	17,691,241
Repairs and maintenance	14,824,450
Rental expense (Note 24)	14,068,922
Entertainment and representation	13,316,985
Stationery and office supplies	12,138,158
Gas and oil	10,844,053
SSS and Pag-ibig premiums	9,478,112
Documentary stamps	8,617,837
Insurance	8,118,245
Commission	4,179,602
Membership dues and subscriptions	1,796,641
Professional fees	477,207
Charitable contributions	2,720,432
Consultancy fees	2,435,091
Others	16,139,641
	P 1,044,883,925

Supplementary Information Required Under RR No. 15-2010

On November 25, 2010, the Bureau of Internal Revenue (BIR) issued Revenue Regulation (RR) No. 15-2010 which took effect on December 29, 2010 which provides for additional information required to be disclosed in the notes to financial statements regarding taxes, duties and license fee, paid or accrued, during the taxable year. Specifically, the disclosure should include the following: (a) amount of Value-Added Tax (VAT) output taxes declared during the year with account title and amount/s; (b) amount of VAT Input taxes claimed; (c) landed cost of imports and the amount of customs duties and tariff fees; (d) amount of excise taxes, classified per major product category; (e) documentary stamp tax (DST) on loan instruments and other transactions; (f) all other taxes, local and national, license and permit fees lodged under taxes and licenses account both under the Cost of sales and operating expense accounts; (g) amount of withholding taxes;(h) periods covered and amounts of deficiency assessments; and (i) tax cases and amounts involved.

In compliance with RR No. 15-2010, the following taxes are either paid or accrued by the Company for the taxable year ended December 31, 2015.

a) Output VAT

Output VAT declared for the year ended December 31, 2015 and the revenue upon which the same was based consists of:

	Gross Revenues	Output VAT
Regular sales	**P 754,749,029**	P 90,569,883
Exempt sales	**857,174,724**	-
Zero-rated sales	**74,986,571**	-
	P 1,686,910,324	P 90,569,883

b) Input VAT

Movements in input VAT for the year ended December 31, 2015 follow:

	Amount
Beginning balance	**P 302,592**
Purchases during the year	
Services	**-**
Domestic purchases other than capital goods	**47,292,997**
Importation of goods other than capital goods	**31,959,718**
Input VAT claimed during the year	**(79,555,307)**
	P -

c) Landed Cost, Customs' Duties and Tariff Fees

	Amount
Landed cost	**P 328,448,341**
Custom duties	**17,700,653**
Others	**54,689,316**
	P 400,838,310

d) Excise Tax

The Company did not have any transactions in 2015 which are subject to excise tax.

e) Documentary Stamp Tax

Documentary stamp tax paid in 2015 amounted to P8,617,837 arising from applications for certain interest-bearing loans and borrowings.

f) All Other Local and National Taxes

All other local and national taxes paid for the year ended December 31, 2015 consists of:

		Amount
Real estate tax	P	12,901,062
Licenses and permits		4,413,149
Others		377,030
	P	17,691,241

g) Withholding Taxes

Withholding taxes paid/accrued for the year ended December 31, 2015 consist of:

		Paid		Accrued		Total
Expanded	P	11,662,832	P	1,077,924	P	12,740,756
Compensation		35,677,777		3,707,058		39,384,835
	P	47,340,609	P	4,784,982	P	52,125,591

h) Tax Assessment and Case

There are no tax cases, under preliminary investigation, litigation and/or prosecution in courts or other government regulatory bodies.

TEODORO SANTAMARIA CANLAS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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(632) 856-3649
Tel/Fax No.: (632) 812-4202

Member:
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SUPPLEMENTAL WRITTEN STATEMENT OF INDEPENDENT AUDITORS

The Shareholders and the Board of Directors
Manila Bulletin Publishing Corporation
Manila Bulletin Building
Muralla cor. Recoletos St., Intramuros Manila

We have audited the financial statements of Manila Bulletin Publishing Corporation (the 'Company') as at and for the year ended December 31, 2015, on which we have rendered the attached report dated April 11, 2016.

In compliance with Securities Regulation Code Rule 68, we are stating that the Company has a total of two thousand six hundred seventy seven (2,677) stockholders owning one hundred (100) or more shares each.

TEODORO SANTAMARIA CANLAS & CO.

NOEL ANTONIO E. CANLAS
Partner signing for the firm
CPA License No. 090005
Valid until January 1, 2019
BOA/PRC Accreditation No. 5593
Valid until December 31, 2016
BIR A. N. 08-003408-3-2016
Valid until March 31, 2019
SEC Accreditation No. 1060-AR-I (Individual)
Valid until February 5, 2017
SEC Accreditation No. 0308-F (Firm)
Valid until February 15, 2018
T.I.N. 131-519-275
P.T.R. No. 5339446
January 13, 2016/Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016 TSIC
RECEIVED
CRISTINA C. DE GUZMAN

April 11, 2016

TEODORO SANTAMARIA CANLAS & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Shareholders and the Board of Directors
Manila Bulletin Publishing Corporation
Manila Bulletin Building
Muralla cor. Recoletos St., Intramuros Manila

We have audited in accordance with Philippine Standards on Auditing, the financial statements of Manila Bulletin Publishing Corporation (the 'Company') as at and for the year ended December 31, 2015, and have issued our report thereon dated April 11, 2016. Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the Index to the Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for the purpose of complying with the Securities and Regulation Code Rule 68, as Amended (2011) and are not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, fairly stated, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

TEODORO SANTAMARIA CANLAS & CO.

NOEL ANTONIO E. CANLAS
Partner signing for the firm
CPA License No. 090005
Valid until January 1, 2019
BOA/PRC Accreditation No. 5593
Valid until December 31, 2016
BIR A. N. 08-003408-3-2016
Valid until March 31, 2019
SEC Accreditation No. 1060-AR-I (Individual)
Valid until February 5, 2017
SEC Accreditation No. 0308-F (Firm)
Valid until February 15, 2018
T.I.N. 131-519-275
P.T.R. No. 5339446
January 13, 2016/Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 13 2016
RECEIVED
CRISTINA C. DE GUZMAN

April 11, 2016

MANILA BULLETIN PUBLISHING CORPORATION

Index to the Financial Statements and Supplementary Schedules

Schedule 1 - Schedule of all the effective standards and interpretation as at December 31, 2015

Schedule 2 - Reconciliation of retained earnings available for dividend declaration

Schedule 3 - Map of the relationships of the Companies within the Group

Schedule 4 - Financial soundness indicators

Schedule 1

MANILA BULLETIN PUBLISHING CORPORATION

Schedule of Philippine Financial Reporting Standards
Effective as at December 31, 2015

The following table summarizes the effective standards and interpretations as at December 31, 2015:

		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements				
Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary		✓		
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	✓		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Joint Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions from First-time Adopters			✓
	Amendments 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			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
PFRS (Revised)	Business Combinations			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosure	✓		
	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	✓		

		Adopted	Not Adopted	Not Applicable
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Transitional Disclosures*	Not early adopted		
	Amendments to PFRS 7: Disclosures - Hedge Accounting*	Not early adopted		
PFRS 8	Operating Segments			✓
PFRS 9	Financial Instruments*	Not early adopted		
	Amendments to PFRS 9: Transition Disclosures*	Not early adopted		
PFRS 10	Consolidated Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
	Amendments to PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*	Not early adopted		
PFRS 11	Joint Arrangements			✓
	28: Application of the Consolidation Exception*	Not early adopted		
PFRS 12	Disclosure of Interest in Other Entities			✓
	28: Application of the Consolidation Exception*	Not early adopted		
PFRS 13	Fair Value Measurement	✓		
PFRS 14	Regulatory Deferral Accounts*	Not early adopted		
PFRS 15	Revenue from Contracts with Customers*	Not early adopted		

Phillippine Accounting Standards

PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Financial Statement Disclosures*	Not early adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 16 - Deferred Tax: Recovery of Underlying Assets			✓
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*	Not early adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓

		Adopted	Not Adopted	Not Applicable
PAS 17	Lease	✓		
PAS 18	Revenue	✓		
PAS 19 (Revised)	Employee Benefits	✓		
	Amendments to PAS 19: Contributions from Employees or Third Parties*	Not early adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates			✓
	Amendments to PAS 21: Net Ivestment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Cost	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27 (Revised)	Separate Financial Statements			✓
	Amendments to PFRS 10, PFRS 12 and PAS 27: Consolidation for Investment Entities			✓
	Amendments to PAS 27: Use of Equity Method in Separate Financial Statements*	Not early adopted		
PAS 28 (Revised)	Investments in Associate and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contributions of Assets between an Investor and its Associate or Joint Venture*	Not early adopted		
	Amendments of PFRS 10, PFRS 12 and PAS 28: Application of the Consolidation Exception*	Not early adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
PAS 36	Impairment of Assets	✓		
	Amendment to PAS 36: Recoverable Amount Disclosures	✓		
PAS 37	Provisions, Contingent Labilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Acceptable Methods of Depreciation and Amortization*	Not early adopted		

		Adopted	Not Adopted	Not Applicable
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transtion and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intagroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39: Eligible Hedge Items			✓
	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 IFRIC 9 and PAS 39: Embedded Derivatives			✓
	Amendments to PAS 39: Novation of Derivatives			✓
	Amendments to PAS 39: Hedge Accounting*	Not early adopted		
PAS 40	Investment Property	✓		
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*			✓

Philippine Interpretations

IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instrument			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 12	Service Cincession Arrangement			✓
IFRIC 13	Customer Loyalty Programmes			✓
IFRIC 14	Minimum Funding Requirements and their Interaction	✓		
	Amendments to IFRIC 14: Prepayments of a Minimum Funding Requirment	✓		

		Adopted	Not Adopted	Not Applicable
IFRIC 15	Agreements for the Construction of Real Estate*	Not early adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies			✓
SIC - 7	Introduction of the Euro			✓
SIC - 10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC - 15	Operating Lease -Incentives	✓		
SIC - 25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC - 27	Evaluating the Sunstance of Transactions Involving the Legal Form of a Lease	✓		
SIC - 29	Service Concession Arrangements: Disclosure			✓
SIC - 31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC - 32	Intangible Assets - Web Site Costs			✓

The standards and interpretations marked with an asterisk (*) have been issued but are not yet effective for December 31, 2015 financial statements.

The standards and interpretations that are labelled as "Not Applicable" are already effective as at December 31, 2015 but will never be relevant/applicable to the Company or are currently not relevant to the Company because it has currently no related transactions.

Schedule 2 (AMENDED)

RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2015

Unappropriated Retained Earnings, beginning	**P 239,338,934**
Adjustment	
Adjustments in prior years	-
Unappropriated Retained Earnings, as adjusted, beginning	**239,338,934**
Net income based on the face of AFS	**60,130,394**
Less: Non-actual/unrealized income net of tax	
Recognized deferred income tax assets	**(49,606,004)**
Unrealized foreign exchange gain	-
Fair value adjustment	-
Fair value adjustment of investment property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP - gain	-
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Adjustment due to deviation from PFRS/GAAP - loss	-
Fair value adjustment of investment property resulting to loss	-
Net Income Actual/Realized	**249,863,324**
Less: Non-actual/unrealized income net of tax	
Dividends declared	**(98,015,055)**
Effects of prior period adjustments	-
Appropriation during the year	-
Unappropriated Retained Earnings, as adjusted, ending	**P 151,848,269**

CERTIFIED TRUE AND CORRECT:

TEODORO SANTAMARIA CANLAS & CO.

NOEL ANTONIO E. CANLAS
Partner signing for the firm
CPA License No. 090005
Valid until January 1, 2019
BOA/PRC Accreditation No. 5593
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T.I.N. 131-519-275
P.T.R. No. 5339446
January 13, 2016/Makati City

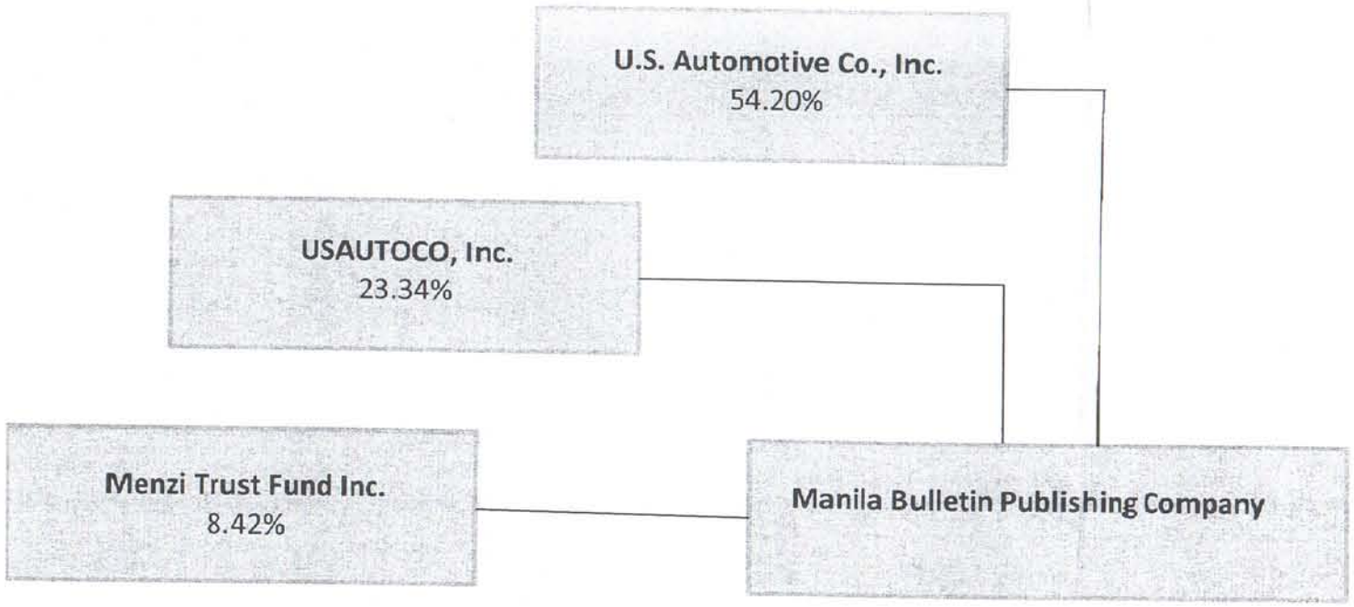
August 8, 2016

Schedule 3

MANILA BULLETIN PUBLISHING CORPORATION

Schedule of relationship between and among the company and its major shareholders

December 31, 2015



Schedule 4

FINANCIAL SOUNDNESS INDICATORS
AS AT DECEMBER 31, 2015 and 2014

		2015		2014
LIQUIDITY/SOLVENCY RATIOS				
CURRENT RATIO		**1.51**		1.32
LIQUIDITY RATIO		**0.92**		0.82
WORKING CAPITAL TO TOTAL ASSETS RATIO		**0.18**		0.13
SOLVENCY RATIOS				
DEBT-TO-EQUITY RATIO		**0.89**		1.15
ASSET TO EQUITY RATIO		**1.89**		1.93
NET DEBT TO EQUITY RATIO		**0.87**		0.90
SOLVENCY RATIO		**0.04**		0.04
PROFITABILITY RATIO				
RETURN ON ASSETS (ROA)		**0.01**		0.01
RETURN ON EQUITY (ROE)		**0.02**		0.03
GROSS PROFIT MARGIN RATIO		**0.35**		0.37
INTEREST RATE COVERAGE RATIO		**2.89**		3.41
PROFIT MARGIN		**0.02**		0.03
EARNINGS PER SHARE	P	**0.02**	P	0.03