



PHILIPPINE SEVEN CORPORATION

7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City 1550 Philippines
Telephone Nos. (632) 724-44-41 to 53 / 705-52-00
www.7-eleven.com.ph

May 13, 2016

PHILIPPINE STOCK EXCHANGE, INC.
3rd FLOOR, PSE PLAZA, Ayala Triangle
Ayala Avenue, Makati City.

Attention: **JANET A. ENCARNACION**
Head, Disclosures Department

Re: **SEC Form 17-C**

Dear Ms. Encarnacion:

Attached is the copy of the Amended Current Report SEC Form 17-C Re: Cash Dividend Declaration submitted to Securities and Exchange Commission.

Thank you.

Very truly yours,

PHILIPPINE SEVEN CORPORATION

By:


ATTY. EVELYN S. ENRIQUEZ
Corporate Secretary

COVER SHEET

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S.E.C Registration Number

P H I L I P P I N E

S E V E N

C O R P O R A T I O N

(Company's full Name)

7 t h F l r . T h e C o l u m b i a T o w e r

O r t i g a s A v e . M a n d a l u y o n g C i t y

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

Atty. Evelyn S. Enriquez
Corporate Secretary

Contact Person

724-44-41 to 51

Company Telephone Number

1 2 3 1

Month Day
Fiscal Year

1 7 . C

FORM TYPE

0 7

Month

3rd Thursday

Day

Annual Meeting

**AMENDED 17-C RE: CASH
DIVIDEND DECLARATION**

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowings

Domestic

Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

STAMPS

Remarks = pls. use black ink for scanning purposes

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-C

CURRENT REPORT UNDER SECTION 17
OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2 (c) THEREUNDER



- 1. Date of Report : May 13, 2016
- 2. SEC Identification Number : 108476
- 3. BIR Tax Identification No. : 000-390-189-000
- 4. Exact Name of Issuer as specified in its charter : Philippine Seven Corporation
- 5. Province, Country or other jurisdiction : PHILIPPINES
- 6. Industry Classification Code: (SEC Use only)
- 7. Address of principal office : 7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong
City 1550
- 8. Issuer's Telephone number, including area code : (632) 724-4441 to 53
- 9. Former name of former address, if changed since last report : n / a
- 10. Securities Registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Shares Outstanding – Common	458,435,323
Units – Warrants	0

11. Indicate the item number reported herein :

Item 9. Other Events

Item 9. Other Events

The members of the Board of Directors of PHILIPPINE SEVEN CORPORATION (PSC or the "Corporation"), in its Meeting of April 28, 2016 held at the PSC Boardroom, 11th Floor The Columbia Tower, Ortigas Avenue, Mandaluyong City, there being a quorum, unanimously approved a cash dividend declaration of Fifty Five Centavos (Php0.55) per share on the outstanding capital stock of the Corporation of 458,435,323 shares or equivalent to Php 252,139,428.00. The record date for entitlement to said cash dividend shall be on May 12, 2016 and the payment date shall be on May 26, 2016.

In compliance with the requirements of the Commission, attached herewith are the following documents:

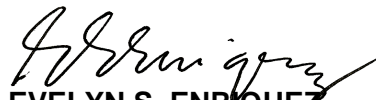
1. Certification by the Corporate Secretary on the board resolution approving the cash dividend declaration;
2. Certification by the Corporate Secretary on the Total Outstanding Capital Stock of the Corporation as of record date, and Total Amount of Cash Dividend for Distribution; and
3. Copy of the Audited Financial Statements as of the last year, stamped received by SEC and BIR and used as basis for the cash dividend declaration (with reconciliation of retained earnings).

SIGNATURE

Pursuant to the requirement of the Securities Regulation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned duly authorized for the purpose.

PHILIPPINE SEVEN CORPORATION

By:



EVELYN S. ENRIQUEZ

Corporate Secretary

SECRETARY'S CERTIFICATE

I, **EVELYN S. ENRIQUEZ**, Filipino, of legal age, with office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, having been duly sworn in accordance with law, hereby depose and certify that:

1. I am the Corporate Secretary of **PHILIPPINE SEVEN CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of the law of the Republic of the Philippines, with principal office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, Philippines;

2. As such Corporate Secretary, I have custody of the pertinent books and records of the Corporation;

3. According to said records, at the meeting of the Board of Directors of the Corporation held at the PSC Boardroom, 11 Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, on 28 April 2016, at which meeting a quorum was present and voting throughout, the following resolutions were approved and adopted:

"RESOLVED, that the Board of Directors of Philippine Seven Corporation (the "Corporation") hereby approve the declaration of cash dividend in the amount of Fifty Five Centavos (Php0.55) per share on the outstanding capital stock of the Corporation of 458,435,323 shares or equivalent to Php 252,139,428.00. The record date for entitlement to said cash dividend shall be on May 12, 2016, which is not less than 10 days nor more than 30 days from the declaration and the payment date shall be on May 26, 2016, which is not later than 18 trading days from record date.

"RESOLVED, ALSO, that for purposes of payment of the Cash Dividends, BDO Unibank, Inc. - Trust and Investments Group, the authorized transfer agent of the Corporation, through the following Officers signing jointly, be authorized to prepare, sign, issue and mail the cash dividend checks to stockholders entitled to receive the same in the amounts due them based on the above-mentioned declaration, less any applicable tax, which checks shall be drawn from the bank account of the Corporation opened and maintained for the said purpose.

MANUEL PATRICIO C. MALABANAN - Senior Vice President
OLIVER L. GALVEZ - Senior Manager

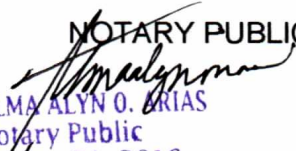
"RESOLVED, FINALLY, that any one of the Chairman of the Board, President, Treasurer or Corporate Secretary is hereby authorized to file the necessary petition and other requisite documents and papers to secure approvals from the appropriate government agencies and other entities to implement the foregoing resolution."

IN WITNESS WHEREOF, I have hereunto set my hand this APR 22 2016 day of _____ 2016 at Mandaluyong City.


EVELYN S. ENRIQUEZ
Corporate Secretary

SUBSCRIBED AND SWORN, to before me this APR 22 2016 day of _____, at MANDALUYONG CITY, Philippines, affiants exhibited to me her her SSS ID No. 0372848505.

Doc. No.: 14;
Page No.: 4;
Book No.: 1;
Series of 2016.

NOTARY PUBLIC

ATTY. ALMA ALYN O. ARIAS
Notary Public
Untill Dec. 31, 2016
Roll No. 57951, IBP No. 1017559/04 Jan. 2016
MCLF Compliance No. V-0014537/29 Feb. 2016
PTR No. 261849504 Mandaluyong City

REPUBLIC OF THE PHILIPPINES)
) S.S.

SECRETARY'S CERTIFICATE

I, **EVELYN S. ENRIQUEZ**, Filipino, of legal age, with office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, having been duly sworn in accordance with law, hereby depose and certify that:

1. I am the Corporate Secretary of **PHILIPPINE SEVEN CORPORATION** (the "Corporation"), a corporation duly organized and existing under and by virtue of the law of the Republic of the Philippines, with principal office address at the 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City, Philippines;

2. As such Corporate Secretary, I have custody of the pertinent books and records of the Corporation;

3. According to said records, on 28 April 2016, the Board of Directors of the Corporation has declared Cash Dividend of *Fifty Five Centavos* (Php0.55) per share on the 458,435,323 outstanding capital stock of the Corporation.

4. As per the Corporation's Stock Transfer Agent, as of record date of May 08, 2016, the total outstanding capital stock of the Corporation is still 458,435,323.

As such, the total amount of Cash Dividend for distribution is Php 252,139,428.00.

IN WITNESS WHEREOF, I have hereunto set my hand this MAY 12 2016 day of _____ 2016 at _____ City.
MANDALUYONG CITY

Evelyn S. Enriquez
EVELYN S. ENRIQUEZ
Corporate Secretary

SUBSCRIBED AND SWORN, to before me this MAY 12 2016 day of _____, at **MANDALUYONG CITY**, Philippines, affiants exhibited to me her her SSS ID No. 0372848505.

NOTARY PUBLIC

Doc. No.: 25
Page No.: 6
Book No.: I
Series of 2016.

Alma Allyn O. Arias
ATTY. ALMA ALYN O. ARIAS
Notary Public
Untill Dec. 31, 2016
Roll No. 57951, IBP No. 1017559/04 Jan. 2016
MCTE Compliance No. V-0014537/29 Feb. 2016
PIR No. 261849504 Mandaluyong City

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

P	H	I	L	I	P	P	I	N	E	S	E	V	E	N	C	O	R	P	O	R	A	T	I	O	N	A
N	D	S	U	B	S	I	D	I	A	R	I	E	S													

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

7	T	H	F	L	O	O	R	,	T	H	E	C	O	L	U	M	B	I	A	T	O	W	E	R	,

Form Type

A	C	F	S
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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
-	705-5200	(0922) 879 2134
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
630	07/16	12/31

CONTACT PERSON INFORMATION

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

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Steve Chen	pchen@7-eleven.com.ph	705-5241	-

CONTACT PERSON'S ADDRESS

7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City

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

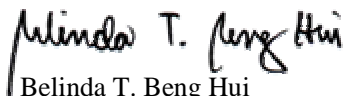
2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its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

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Philippine Seven Corporation
7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Philippine Seven Corporation and Subsidiaries (the Group) as at December 31, 2015 and 2014 and for each of the three years in the period ended December 31, 2015, included in this Form 17-A, and have issued our report thereon dated February 18, 2016. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



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

February 18, 2016

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Philippine Seven Corporation
7th Floor, The Columbia Tower
Ortigas Avenue, Mandaluyong City

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

Management's Responsibility for the Consolidated Financial Statements

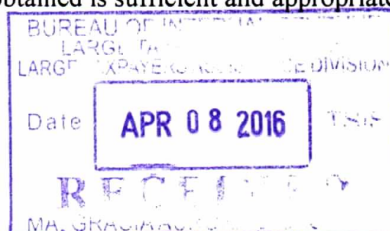
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements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

Auditors' Responsibility

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

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

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



Opinion

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

SYCIP GORRES VELAYO & CO.

Belinda T. Beng Hui

Belinda T. Beng Hui

Partner

CPA Certificate No. 88823

SEC Accreditation No. 0923-AR-1 (Group A),

March 25, 2013, valid until March 24, 2016

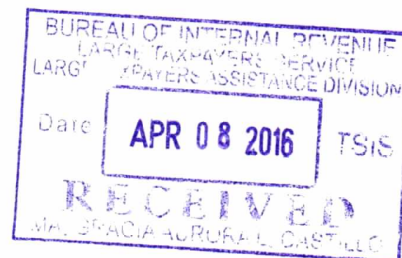
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February 18, 2016



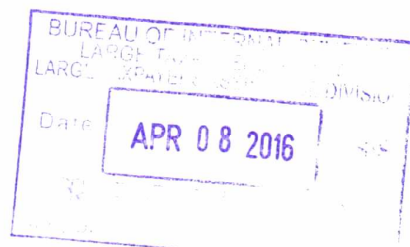
PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31	
	2015	2014
ASSETS		
Current Assets		
Cash (Notes 4, 29 and 30)	₱875,978,073	₱1,241,685,743
Short-term investment (Notes 4, 29 and 30)	10,983,401	10,884,130
Receivables (Notes 5, 29 and 30)	767,259,573	589,387,141
Inventories (Note 6)	1,568,498,726	1,165,094,076
Prepayments and other current assets (Note 7)	426,050,698	358,396,530
Total Current Assets	3,648,770,471	3,365,447,620
Noncurrent Assets		
Property and equipment (Note 8)	4,753,670,268	3,558,089,998
Deposits (Notes 9, 29 and 30)	578,349,692	460,528,797
Deferred income tax assets - net (Note 27)	95,706,492	87,175,008
Goodwill and other noncurrent assets (Notes 10 and 30)	439,438,292	419,000,444
Total Noncurrent Assets	5,867,164,744	4,524,794,247
TOTAL ASSETS	₱9,515,935,215	₱7,890,241,867

LIABILITIES AND EQUITY

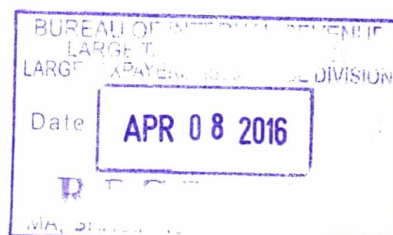
Current Liabilities		
Bank loans (Notes 11, 29 and 30)	₱1,150,000,000	₱750,000,000
Current portion of long-term debt (Notes 11, 29 and 30)	18,000,000	-
Accounts payable and accrued expenses (Notes 12, 29 and 30)	2,366,121,396	2,445,160,713
Income tax payable	217,978,770	176,425,816
Other current liabilities (Notes 13, 25, 29 and 30)	1,224,521,642	853,722,638
Total Current Liabilities	4,976,621,808	4,225,309,167
Noncurrent Liabilities		
Deposits payable (Note 14)	238,305,143	234,502,609
Net retirement obligations (Note 24)	100,870,628	100,404,074
Long-term debt - net of current portion (Notes 11, 29 and 30)	63,000,000	-
Deferred income tax liability (Note 27)	7,936,841	7,936,841
Cumulative redeemable preferred shares (Notes 15, 29 and 30)	6,000,000	6,000,000
Deferred revenue - net of current portion (Note 16)	5,905,714	26,552,651
Total Noncurrent Liabilities	422,018,326	375,396,175
Total Liabilities	5,398,640,134	4,600,705,342

(Forward)



	December 31	
	2015	2014
Equity		
Common stock (Notes 17 and 31) - ₱1 par value		
Authorized - 600,000,000 shares		
Issued - 459,121,573 shares	₱459,121,573	₱459,121,573
Additional paid-in capital (Note 31)	293,525,037	293,525,037
Retained earnings (Notes 17 and 31):		
Appropriated	2,450,000,000	-
Unappropriated	920,957,924	2,546,335,563
Other comprehensive income (loss):		
Remeasurements loss on net retirement obligations - net of deferred income tax asset (Notes 24 and 27)	(21,905,502)	(25,041,697)
Revaluation increment on land - net of deferred income tax liability (Notes 8 and 27)	18,519,295	18,519,295
	4,120,218,327	3,292,459,771
Cost of 686,250 shares held in treasury (Notes 17 and 31)	(2,923,246)	(2,923,246)
Total Equity	4,117,295,081	3,289,536,525
TOTAL LIABILITIES AND EQUITY	₱9,515,935,215	₱7,890,241,867

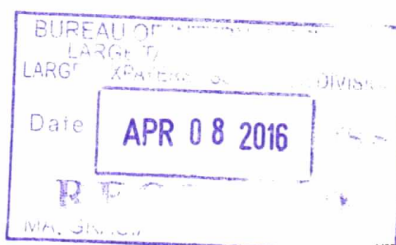
See accompanying Notes to Financial Statements.



PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2015	2014	2013
REVENUES			
Revenue from merchandise sales	P22,400,931,697	P17,107,375,250	P14,133,649,192
Franchise revenue (Note 32)	2,440,671,360	1,820,696,747	1,460,656,787
Marketing income (Note 20)	735,221,454	463,413,150	380,793,855
Rental income (Note 26)	56,729,444	51,118,568	48,341,871
Commission income (Note 32)	46,919,684	39,214,967	43,402,035
Interest income (Note 22)	7,025,256	5,741,549	7,165,804
Other income	186,834,492	180,124,459	121,482,564
	25,874,333,387	19,667,684,690	16,195,492,108
EXPENSES			
Cost of merchandise sales (Note 18)	16,891,590,340	12,861,596,475	10,661,629,518
General and administrative expenses (Note 19)	7,463,588,865	5,516,373,836	4,520,385,066
Interest expense (Note 21)	33,991,623	16,195,818	16,247,890
Other expenses	25,310,558	18,249,864	13,799,871
	24,414,481,386	18,412,415,993	15,212,062,345
INCOME BEFORE INCOME TAX	1,459,852,001	1,255,268,697	983,429,763
PROVISION FOR INCOME TAX (Note 27)	451,855,511	381,923,842	300,802,114
NET INCOME	1,007,996,490	873,344,855	682,627,649
OTHER COMPREHENSIVE INCOME (LOSS) NOT TO BE RECLASSIFIED TO PROFIT AND LOSS IN SUBSEQUENT PERIODS			
Revaluation increment on land - net of tax (Note 8)	-	15,289,400	-
Remeasurement gain (loss) on net retirement obligations - net of tax (Note 24)	3,136,195	(2,800,253)	(10,696,341)
TOTAL COMPREHENSIVE INCOME	P1,011,132,685	P885,834,002	P671,931,308
BASIC/DILUTED EARNINGS			
PER SHARE (Note 28)	P2.20	P1.91	P1.49

See accompanying Notes to Consolidated Financial Statements.



PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2015, 2014 and 2013

	Common Stock (Note 17)	Additional Paid-in Capital	Retained Earnings (Note 17)		Other Comprehensive Income (Loss)		Total	Treasury Stock (Note 17)	Total
			Appropriated	Unappropriated	Remeasurement Loss on Net Retirement Obligations - Net of Tax	Revaluation Increment on Land Net of Tax			
Balances at January 1, 2015	₱459,121,573	₱293,525,037	₱-	₱2,546,335,563	(₱25,041,697)	₱18,519,295	₱3,292,459,771	(₱2,923,246)	₱3,289,536,525
Net income	-	-	-	1,007,996,490	-	-	1,007,996,490	-	1,007,996,490
Remeasurement gain on net retirement obligations	-	-	-	-	3,136,195	-	3,136,195	-	3,136,195
Total comprehensive income	-	-	-	1,007,996,490	3,136,195	-	1,011,132,685	-	1,011,132,685
Appropriations during the year	-	-	2,450,000,000	(2,450,000,000)	-	-	-	-	-
Cash dividends (Note 17)	-	-	-	(183,374,129)	-	-	(183,374,129)	-	(183,374,129)
Balances at December 31, 2015	₱459,121,573	₱293,525,037	₱2,450,000,000	₱920,957,924	(₱21,905,502)	₱18,519,295	₱4,120,218,327	(₱2,923,246)	₱4,117,295,081
Balances at January 1, 2014	₱459,121,573	₱293,525,037	-	₱1,810,521,305	(₱22,241,444)	₱3,229,895	₱2,544,156,366	(₱2,923,246)	₱2,541,233,120
Net income during the year	-	-	-	873,344,855	-	-	873,344,855	-	873,344,855
Revaluation increment on land (Note 8)	-	-	-	-	-	15,289,400	15,289,400	-	15,289,400
Remeasurement loss on net retirement obligations	-	-	-	-	(2,800,253)	-	(2,800,253)	-	(2,800,253)
Total comprehensive income	-	-	-	873,344,855	(2,800,253)	15,289,400	885,834,002	-	885,834,002
Cash dividends (Note 17)	-	-	-	(137,530,597)	-	-	(137,530,597)	-	(137,530,597)
Balances at December 31, 2014	₱459,121,573	₱293,525,037	-	₱2,546,335,563	(₱25,041,697)	₱18,519,295	₱3,292,459,771	(₱2,923,246)	₱3,289,536,525
Balances at January 1, 2013	₱399,325,661	₱293,525,037	-	₱1,227,553,509	(₱11,545,103)	₱3,229,895	₱1,912,088,999	(₱2,923,246)	₱1,909,165,753
Net income during the year	-	-	-	682,627,649	-	-	682,627,649	-	682,627,649
Remeasurement loss on net retirement obligations	-	-	-	-	(10,696,341)	-	(10,696,341)	-	(10,696,341)
Total comprehensive income	-	-	-	682,627,649	(10,696,341)	-	671,931,308	-	671,931,308
Stock dividends (Note 17)	59,795,912	-	-	(59,795,912)	-	-	-	-	-
Cash dividends (Note 17)	-	-	-	(39,863,941)	-	-	(39,863,941)	-	(39,863,941)
Balances at December 31, 2013	₱459,121,573	₱293,525,037	-	₱1,810,521,305	(₱22,241,444)	₱3,229,895	₱2,544,156,366	(₱2,923,246)	₱2,541,233,120

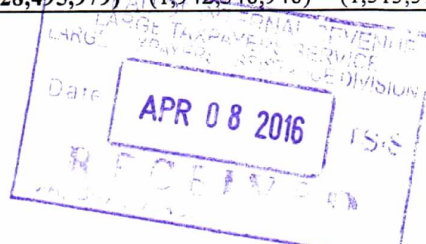
See accompanying Notes to Consolidated Financial Statements.



PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

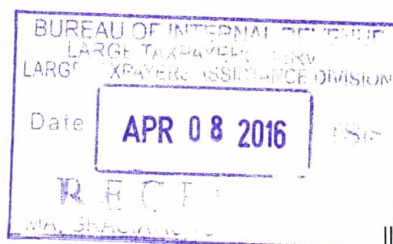
	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	₱1,459,852,001	₱1,255,268,697	₱983,429,763
Adjustments for:			
Depreciation and amortization (Notes 8 and 19)	1,092,223,359	862,759,509	709,518,959
Interest expense (Note 21)	33,991,623	16,195,818	16,247,890
Amortization of:			
Deferred revenue on exclusivity contract (Notes 16 and 32)	(25,000,000)	(25,446,429)	(818,452)
Deferred lease (Notes 10 and 26)	4,965,729	2,277,636	2,410,613
Software and other program costs (Notes 10 and 19)	878,003	655,605	1,316,561
Deferred revenue on finance lease (Notes 16 and 26)	-	(589,567)	(589,567)
Net retirement benefits cost (Notes 23 and 24)	23,029,230	19,867,370	16,858,692
Interest income (Note 22)	(7,025,256)	(5,741,549)	(7,165,804)
Unrealized foreign exchange loss (gain)	(22,972)	(24,209)	296,601
Noncash donation expense	-	297,731	-
Operating income before working capital changes	2,582,891,717	2,125,520,612	1,721,505,256
Increase in:			
Receivables	(177,872,432)	(120,327,092)	(94,042,512)
Inventories	(403,404,650)	(264,244,185)	(173,863,328)
Prepayments and other current assets	(67,738,598)	(87,665,635)	(11,740,811)
Increase (decrease) in:			
Accounts payable and accrued expenses	(79,765,106)	573,804,626	610,988,026
Other current liabilities	370,897,269	184,520,376	89,054,748
Deposits payable	3,802,534	31,613,674	20,987,697
Deferred revenue	4,254,799	86,177,397	3,442,212
Retirement benefits paid (Note 24)	(3,082,398)	-	-
Retirement benefits contributions (Note 24)	(15,000,000)	(19,944,800)	(21,670,730)
Net cash generated from operations	2,214,983,135	2,509,454,973	2,144,660,558
Income taxes paid	(420,178,896)	(336,660,528)	(304,294,983)
Interest received	3,515,860	2,693,092	4,350,085
Net cash provided by operating activities	1,798,320,099	2,175,487,537	1,844,715,660
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to:			
Property and equipment (Note 8)	(2,287,816,904)	(1,653,573,106)	(1,179,270,533)
Software and other program costs (Note 10)	-	(1,247,000)	(3,019,195)
Increase in:			
Deposits	(114,311,499)	(143,591,873)	(61,940,757)
Goodwill and other noncurrent assets	(26,281,580)	(143,994,428)	(68,910,637)
Short-term investment	(99,271)	(73,901)	(178,114)
Proceeds from sale of property and equipment	13,275	131,360	-
Net cash used in investing activities	(2,428,495,979)	(1,942,348,948)	(1,313,319,236)

(Forward)



	Years Ended December 31		
	2015	2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Bank loans (Note 11)	₱1,480,000,000	₱950,000,000	₱550,000,000
Long-term debt (Note 11)	90,000,000	-	-
Payments of:			
Bank loan (Note 11)	(1,080,000,000)	(760,000,000)	(467,777,778)
Long-term-debt (Note 11)	(9,000,000)	-	-
Interest paid	(33,180,633)	(16,949,091)	(15,822,416)
Cash dividends paid (Note 17)	(183,374,129)	(137,530,597)	(39,863,941)
Net cash provided by financing activities	264,445,238	35,520,312	26,535,865
NET INCREASE (DECREASE) IN CASH	(365,730,642)	268,658,901	557,932,289
EFFECT OF EXCHANGE RATE CHANGES ON CASH			
	22,972	24,209	(215,225)
CASH AT BEGINNING OF YEAR (Note 4)	1,241,685,743	973,002,633	415,285,569
CASH AT END OF YEAR (Note 4)	₱875,978,073	₱1,241,685,743	₱973,002,633

See accompanying Notes to Consolidated Financial Statements.



PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philippine Seven Corporation (the Company or PSC) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on November 24, 1982. The Company and its subsidiaries (collectively referred to as the “Group”), are primarily engaged in the business of retailing, merchandising, buying, selling, marketing, importing, exporting, franchising, acquiring, holding, distributing, warehousing, trading, exchanging or otherwise dealing in all kinds of grocery items, dry goods, food or foodstuff, beverages, drinks and all kinds of consumer needs or requirements and in connection therewith, operating or maintaining warehouses, storages, delivery vehicles and similar or incidental facilities. The Group is also engaged in the management, development, sale, exchange, and holding for investment or otherwise of real estate of all kinds, including buildings, houses and apartments and other structures.

The Company is controlled by President Chain Store (Labuan) Holdings, Ltd., an investment holding company incorporated in Malaysia, which owns 51.56% of the Company’s outstanding shares. The remaining 48.44% of the shares are widely held. The ultimate parent of the Company is President Chain Store Corporation (PCSC), which is incorporated in Taiwan, Republic of China.

The Company has its primary listing on the Philippine Stock Exchange. As at December 31, 2015 and 2014, the Company has 630 and 640 equity holders, respectively.

The registered business address of the Company is 7th Floor, The Columbia Tower, Ortigas Avenue, Mandaluyong City.

Authorization for Issuance of the Consolidated Financial Statements

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 18, 2016.

2. Summary of Significant Accounting Policies and Financial Reporting Practices

Basis of Preparation

The consolidated financial statements are prepared under the historical cost basis, except for parcels of land, which are carried at revalued amount. The consolidated financial statements are presented in Philippine Peso (Peso), which is the Group’s functional currency and all amounts are rounded to the nearest Peso except when otherwise indicated.

Statement of Compliance

The consolidated financial statements are prepared in compliance with Philippine Financial Reporting Standards (PFRS).

Changes in Accounting Policies and Disclosures

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

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

New Accounting Standards, Interpretations and Amendments to Existing Standards Effective Subsequent to December 31, 2015

The Group will adopt the following PFRS when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these standards to have significant impact on its financial statements.

Deferred

- Philippine Interpretation International Financial Reporting Interpretations Committee (IFRIC) 15, *Agreements for the Construction of Real Estate*

This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. Adoption of the interpretation when it becomes effective will not have any impact on the consolidated financial statements of the Group.

Effective January 1, 2016

- PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investments in Associates and Joint Ventures* – Investment Entities: Applying the Consolidation Exception (Amendments)
These amendments clarify that the exemption in PFRS 10 from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity that measures all of its subsidiaries at fair value and that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity parent is consolidated. The amendments also allow an investor (that is not an investment entity and has an investment entity associate or joint venture), when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments are effective for annual periods beginning on or after January 1, 2016. These amendments are not applicable to the Group since none of the entities within the Group is an investment entity nor does the Group have investment entity associates or joint venture.
- PAS 27, *Separate Financial Statements - Equity Method in Separate Financial Statements* (Amendments)
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying PFRS and electing to change to the equity method in its separate financial statements will have to apply that change retrospectively. The amendments are effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- PFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests* (Amendments)
The amendments to PFRS 11 require a joint operator that is accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business (as defined by PFRS 3), to apply the relevant PFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to PFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party.

The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments will not have any impact on the Group's consolidated financial statements.
- PAS 1, *Presentation of Financial Statements* – Disclosure Initiative (Amendments)
The amendments are intended to assist entities in applying judgment when meeting the presentation and disclosure requirements in PFRS. They clarify the following:
 - That entities shall not reduce the understandability of their financial statements by either obscuring material information with immaterial information; or aggregating material items that have different natures or functions;
 - That specific line items in the statement of income and other comprehensive income and the balance sheet may be disaggregated;

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

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

- **PFRS 14, *Regulatory Deferral Accounts***
PFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of PFRS. Entities that adopt PFRS 14 must present the regulatory deferral accounts as separate line items on the balance sheet and present movements in these account balances as separate line items in the statement of income and other comprehensive income. The standard requires disclosures on the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. PFRS 14 is effective for annual periods beginning on or after January 1, 2016. Since the Group is an existing PFRS preparer, this standard would not apply.
- **PAS 16, *Property, Plant and Equipment*, and PAS 41, *Agriculture - Bearer Plants (Amendments)***
The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of PAS 41. Instead, PAS 16 will apply. After initial recognition, bearer plants will be measured under PAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of PAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, PAS 20, *Accounting for Government Grants and Disclosure of Government Assistance*, will apply. The amendments are retrospectively effective for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group as the Group does not have any bearer plants.
- **PAS 16, *Property, Plant and Equipment*, and PAS 38, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortization (Amendments)***
The amendments clarify the principle in PAS 16 and PAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016, with early adoption permitted. These amendments are not expected to have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

- Annual Improvements to PFRSs (2012–2014 cycle)
The Annual Improvements to PFRSs (2012–2014 cycle) are effective for annual periods beginning on or after January 1, 2016 and are not expected to have a material impact on the Group. They include:
 - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations – Changes in Methods of Disposal*
The amendment is applied prospectively and clarifies that changing from a disposal through sale to a disposal through distribution to owners and vice-versa should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in PFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
 - PFRS 7, *Financial Instruments: Disclosures – Servicing Contracts*
PFRS 7 requires an entity to provide disclosures for any continuing involvement in a transferred asset that is derecognized in its entirety. The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and arrangement against the guidance for continuing involvement in PFRS 7 in order to assess whether the disclosures are required. The amendment is to be applied such that the assessment of which servicing contracts constitute continuing involvement will need to be done retrospectively. However, comparative disclosures are not required to be provided for any period beginning before the annual period in which the entity first applies the amendments.
 - PFRS 7 - *Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*
This amendment is applied retrospectively and clarifies that the disclosures on offsetting of financial assets and financial liabilities are not required in the condensed interim financial report unless they provide a significant update to the information reported in the most recent annual report.
 - PAS 19, *Employee Benefits – Regional Market Issue Regarding Discount Rate*
This amendment is applied prospectively and clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
 - PAS 34, *Interim Financial Reporting – Disclosure of Information ‘Elsewhere in the Interim Financial Report’*
The amendment is applied retrospectively and clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report).

Effective January 1, 2018

- *PFRS 9, Financial Instruments*

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

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

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

- *IFRS 15, Revenue from Contracts with Customers*

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

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

- *IFRS 16, Leases*

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

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

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

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

The Group continues to assess the impact of the above new and amended accounting standards and interpretations effective subsequent to the December 31, 2015 consolidated financial statements. Additional disclosures required by these amendments will be included in the consolidated financial statements when these amendments are adopted.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

- Derecognizes the assets (including goodwill) and liabilities of the subsidiary
- Derecognizes the carrying amount of any non-controlling interests
- Derecognizes the cumulative translation differences recorded in equity
- Recognizes the fair value of the consideration received
- Recognizes the fair value of any investment retained
- Recognizes any surplus or deficit in profit or loss
- Reclassifies the Company's share of components previously recognized in other comprehensive income (OCI) to profit or loss or retained earnings, as appropriate, as would be required if the Company had directly disposed of the related assets or liabilities

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

	Country of Incorporation	Principal Activity	Percentage of Ownership
Convenience Distribution, Inc. (CDI)	Philippines	Warehousing and Distribution	100%
Store Sites Holding, Inc. (SSHI)	Philippines	Holding	100%

SSHI's capital stock, which is divided into 40% common shares and 60% preferred shares, are owned by the Company and by Philippine Seven Corporation-Employees Retirement Plan (PSC-ERP) through its trustee, Bank of the Philippines Islands-Asset Management and Trust Group (BPI-AMTG), respectively. These preferred shares which accrue and pay guaranteed preferred dividends and are redeemable at the option of the holder are recognized as a financial liability in accordance with PFRS (see Note 15). The Company owns 100% of SSHI's common shares, which, together with common key management, gives the Company control over SSHI.

The financial statements of the subsidiaries are prepared for the same financial reporting period as the Company, using uniform accounting policies. Intercompany transactions, balances and unrealized gains and losses are eliminated in full.

Cash

Cash includes cash on hand and in banks. Cash in banks earn interest at the prevailing bank deposit rates.

Financial Instruments

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet when it becomes a party to the contractual provisions of the instrument.

Initial Recognition and Measurement

Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and financial liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

All regular way purchases and sales of financial assets are recognized on the trade date, i.e., the date the Group commits to purchase or sell the financial asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation in the market place.

The Group classifies its financial assets as financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets or loans and receivables. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the financial assets and financial liabilities were acquired. Management determines the classification at initial recognition and, where allowed and appropriate, re-evaluates classification at every balance sheet date.

As at December 31, 2015 and 2014, the Group's financial instruments include loans and receivables and other financial liabilities.

Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as financial assets at FVPL, HTM investments or AFS financial assets. After initial measurement, loans and receivables are subsequently measured at amortized cost using the effective interest method, less impairment. The amortization is included as part of interest income in the consolidated statement of comprehensive income. Losses arising from impairment are recognized in the consolidated statement of comprehensive income. Loans and receivables are classified as current assets if maturity is within 12 months from balance sheet date. Otherwise, these are classified as noncurrent assets.

The Group's loans and receivables consists of cash, short-term investment, receivables and deposits (excluding rent deposits which are non-refundable) as at December 31, 2015 and 2014 (see Notes 4, 5, 9 and 10).

Other Financial Liabilities

This category pertains to financial liabilities that are neither held-for-trading nor designated as at FVPL upon the inception of the liability. Other financial liabilities are subsequently carried at amortized cost, taking into account the impact of applying the effective interest rate method of amortization (or accretion) for any related premium, discount and any directly attributable transaction costs.

Other financial liabilities are classified as current liabilities if maturity is within the normal operating cycle of the Company and it does not have unconditional right to defer settlement of the liability for at least 12 months from balance sheet date. Otherwise, these are classified as noncurrent liabilities.

The Group's other financial liabilities consist of bank loans, long-term debt, accounts payable and accrued expenses, other current liabilities (excluding statutory liabilities), and cumulative redeemable preferred shares as at December 31, 2015 and 2014 (see Notes 11, 12, 13 and 15).

Classification of Financial Instruments Between Liability and Equity

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

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

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

Fair Value Measurement

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

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

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

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.

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 lowest level of input that is significant to the fair value measurement as a whole:

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

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

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

“Day 1” Difference

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

Offsetting Financial Instruments

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

Impairment of Financial Assets

The Group assesses at each balance sheet date whether a financial asset or a group of financial assets is impaired.

Financial Assets Carried at Amortized Cost

The Group first assesses whether objective evidence of impairment exists for financial assets that are individually significant and collectively for financial assets that are not individually significant. Objective evidence includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial reorganization. If it is determined that no objective evidence of impairment exists for an individually or collectively assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continue to be recognized are not included in a collective assessment of impairment. The impairment assessment is performed at each balance sheet date. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics such as customer type, payment history, past-due status and term.

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

Loans and receivables, together with the related allowance, 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 impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying value of the asset does not exceed what its amortized cost would have been had the impairment not been recognized at the date the impairment is reversed .

Derecognition of Financial Assets and Liabilities

Financial Assets

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognized (i.e., removed from the Group's consolidated balance sheets) when:

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

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

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group 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 an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Current versus Noncurrent Classification

The Group presents assets and liabilities in the consolidated balance sheet based on current/concurrent classification. An asset is current when it is:

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

All other assets are classified as noncurrent.

A liability is current when:

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

The Group classifies all other liabilities as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Inventories

Inventories are stated at the lower of cost and net realizable value (NRV). Cost of inventories is determined using the first-in, first-out method. NRV is the selling price in the ordinary course of business, less the estimated cost of marketing and distribution.

Prepayments and Other Current Assets

Prepayments and other current assets are primarily comprised of advances to suppliers, deferred input value-added tax (VAT), prepaid rent and prepaid store expenses. Prepayments and other current assets that are expected to be realized for no more than 12 months after the balance sheet date are classified as current assets; otherwise, these are classified as other noncurrent assets. These are recorded as assets and expensed when utilized or expired.

Advances to suppliers are down payments for acquisitions of property and equipment not yet received. Once the property and equipment are received, the asset is recognized together with the corresponding liability. These are stated at cost less any impairment in value.

Property and Equipment

Property and equipment, except for land, are carried at cost less accumulated depreciation and amortization, and any impairment in value.

The initial cost of property and equipment consists of its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are recognized in profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of the assets.

Construction in-progress includes cost of construction and other direct costs and is stated at cost less any impairment in value. Construction in-progress is not depreciated until such time the relevant assets are completed and put into operational use.

Depreciation and amortization commence once the assets are available for use. It ceases at the earlier of the date that it is classified as noncurrent asset held-for-sale and the date the asset is derecognized.

Depreciation is computed on a straight-line method over the estimated useful lives of the assets as follows:

	Years
Buildings and improvements	10 to 12
Store furniture and equipment	5 to 10
Office furniture and equipment	3 to 5
Transportation equipment	3 to 5
Computer equipment	3

Leasehold improvements are amortized over the estimated useful life of the improvements, ranging from five to ten years, or the term of the lease, whichever is shorter.

The assets' estimated useful lives and depreciation and amortization method are reviewed periodically to ensure that the period and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment. When assets are retired or otherwise disposed of, the cost or revalued amount and the related accumulated depreciation and amortization and any impairment in value are removed from the accounts and any resulting gain or loss is recognized in profit or loss. The revaluation increment in equity relating to the revalued asset sold is transferred to retained earnings.

Fully depreciated assets are retained in the books until disposed.

Land is carried at revalued amount less any impairment in value. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the financial reporting period. When the fair value of a revalued land differs materially from its carrying amount, a further revaluation is required.

A revaluation surplus is recorded in OCI and credited to the "Revaluation increment on land - net of deferred income tax liability" account in equity. However, to the extent that the Group reverses a revaluation deficit of the same asset previously recognized in profit or loss, the increase is recognized in profit or loss. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in "Revaluation increment on land - net of deferred income tax liability" account in equity.

Deposits

Deposits are amounts paid as guarantee in relation to noncancelable lease agreements entered into by the Group. These deposits are recognized at cost and can be refunded or applied to future billings.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and any accumulated impairment loss, if any. Internally-generated intangible assets, if any, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and amortization method for an intangible asset with a finite useful life is reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization

period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Intangible assets with indefinite useful lives are tested for impairment annually at the cash generating unit (CGU) level and are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite useful life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds, if any, and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

Software and Program Cost

Software and program cost, which are not specifically identifiable and integral to a specific computer hardware, are shown under “Goodwill and other noncurrent assets” account in the consolidated balance sheet. These are carried at cost, less accumulated amortization and any impairment in value. Amortization is computed on a straight-line method over their estimated useful life of five years.

Goodwill

Goodwill, included in “Goodwill and other noncurrent assets” account in the consolidated balance sheet, represents the excess of the cost of an acquisition over the fair value of the businesses acquired. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill are tested for impairment annually at the CGU level and are not amortized.

Impairment of Non-financial Assets

The Group assesses at each balance sheet date whether there is an indication that its non-financial assets such as property and equipment, rent deposits and intangible assets may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or CGU’s fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. For land, the asset’s recoverable amount is the higher of the land’s net selling price, which may be obtained from its sale in an arm’s-length transaction, and its value in use. For goodwill, the asset’s recoverable amount is its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. Impairment losses, if any, are recognized in profit or loss, except for revalued land when revaluation was taken to OCI. In this case, the impairment is also recognized in OCI up to the amount of any previous revaluation.

For non-financial assets, excluding goodwill, an assessment is made at each balance sheet date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in previous years. Such reversal is recognized in profit or loss, unless the asset is carried at revalued amount,

in which case, the reversal is treated as a revaluation increase. After such reversal, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill is reviewed for impairment, annually or more frequently if event or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the CGU or group of CGUs to which the goodwill relates. Where the recoverable amount of the CGU or group of CGUs is less than the carrying amount of the CGU or group of CGUs to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Deposits Payable

Deposits payable are amounts received from franchisees, store operators and sublessees as guarantee in relation to various agreements entered into by the Group. These deposits are recognized at cost and payable or applied to future billings.

Cumulative Redeemable Preferred Shares

Cumulative redeemable preferred shares that exhibit characteristics of a liability is recognized as a financial liability in the consolidated balance sheet, net of transaction cost. The corresponding dividends on those shares are charged as interest expense in profit or loss.

Deferred Revenue

Deferred revenue is recognized for cash received for income not yet earned. Deferred revenue is recognized as revenue over the life of the revenue contract or upon delivery of goods or services.

Equity

Common Stock

Common stock is measured at par value for all shares issued and outstanding.

Additional Paid-in Capital

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

Retained Earnings

Retained earnings represent the cumulative balance of periodic net income or loss and changes in accounting policy. When the retained earnings account has a debit balance, it is called "deficit." A deficit is not an asset but a deduction from equity.

Stock Dividends

Stock dividends are distribution of the earnings in the form of own shares. When stock dividends are declared, the amount of stock dividends is transferred from retained earnings to capital stock.

Treasury Stock

Treasury stock is stated at acquisition cost and is deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Group's own equity instruments.

OCI

OCI comprises of items of income and expenses that are not recognized in profit or loss as required or permitted by other PFRS. The Group's OCI pertains to actuarial gains and losses from retirement benefits and revaluation increment on land which are recognized in full in the period in which they occur.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. The Group has assessed its revenue arrangements against the criteria enumerated under PAS 18, *Revenue Recognition*, and concluded that it is acting as principal in all arrangements, except for its sale of consigned goods. The following specific recognition criteria must also be met before revenue is recognized:

Merchandise Sales

Revenue from merchandise sales is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Revenue is measured at the fair value of the consideration received, excluding discounts, returns, rebates and sales taxes.

The Group operates a customer loyalty programme, Every Day! Rewards, which allows customers to accumulate points when they purchase products in the stores. The points can be redeemed for free products, subject to a minimum number of points being obtained.

Consideration received is allocated between the products sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is equal to the retail value of the products that can be redeemed multiplied by the redemption rate. The fair value of the points issued is deferred (included as part of "Other current liabilities" account in the consolidated balance sheet) and recognized as revenue when the points are redeemed.

Franchise

Franchise fee is recognized upon execution of the franchise agreement and performance of initial services required under the franchise agreement. Franchise revenue is recognized in the period earned.

Marketing

Marketing income is recognized when service is rendered. In case of marketing support funds, revenue is recognized upon start of promotional activity for the suppliers.

Rental

Rental income is accounted for on a straight-line basis over the term of the lease.

Commission

Commission income is recognized upon the sale of consigned goods.

Interest

Interest income is recognized as it accrues based on the effective interest rate method.

Other Income

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

Costs and Expenses Recognition

Costs of merchandise sold are recognized in profit or loss at the point of sale. Expenses are recognized in profit or loss upon utilization of the services or when they are incurred.

Retirement Benefits

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the financial 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.

Net retirement benefits cost comprises the following:

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

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Leases

Finance leases, which transfer to the lessee substantially all the risks and rewards of ownership of the asset, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the interest income and reduction of the lease receivable so as to achieve a constant rate of interest on the remaining balance of the receivable. Interest income is recognized directly in profit or loss.

Leases where the lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Operating leases are recognized as an expense in profit or loss on a straight-line basis over the lease term.

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

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

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

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign Currency-denominated Transactions

The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. All subsidiaries evaluate their primary economic and operating environment and determine their functional currency. Transactions in foreign currency are initially recorded at the exchange rate at the date of transaction. Outstanding foreign currency-denominated monetary assets and liabilities are translated using the applicable exchange rate at balance sheet date. Exchange differences arising from translation of foreign currency monetary items at rates different from those at which they were originally recorded are recognized in profit or loss.

Taxes

Current Income Tax

Current income 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 have been enacted or substantively enacted at the balance sheet date.

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

Deferred Income Tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT), and unused net operating loss carry over (NOLCO), to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT over RCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

VAT

Input VAT is the 12% indirect tax paid by the Group in the course of the Group's trade or business on local purchase of goods or services, including lease or use of property, from a VAT-registered entity. For acquisition of capital goods over ₱1,000,000, the related input taxes are deferred and amortized over the useful life of the asset or 60 months, whichever is shorter, commencing on the date of acquisition. Deferred input VAT which is expected to be utilized for more than 12 months

after the balance sheet date is included under “Goodwill and other noncurrent assets” account in the consolidated balance sheet.

Output VAT pertains to the 12% tax due on the sale of merchandise and lease or exchange of taxable goods or properties or services by the Group.

If at the end of any taxable month the output VAT exceeds the input VAT, the excess shall be paid by the Group. Any outstanding balance is included under “Other current liabilities” account in the consolidated balance sheet. If the input VAT exceeds the output VAT, the excess shall be carried over to the succeeding month or months. Excess input VAT is included under “Prepayments and other current assets” account in the consolidated balance sheet. Input VAT on capital goods may, at the option of the Group, be refunded or credited against other internal revenue taxes, subject to certain tax laws.

Revenue, expenses and assets are recognized net of the amount of VAT.

Earnings Per Share

Basic earnings per share is calculated by dividing the net income or for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares.

Diluted earnings per share is calculated by dividing the net income for the year attributable to common shareholders by the weighted average number of shares outstanding during the year, excluding treasury shares and adjusted for the effects of all potential dilutive common shares, if any.

In determining both the basic and diluted earnings per share, the effect of stock dividends, if any, is accounted for retrospectively.

Segment Reporting

Operating segments are components of an entity for which separate financial information is available and evaluated regularly by management in deciding how to allocate resources and assessing performance. The Group considers the store operation as its primary activity and its only business segment. Franchising, renting of properties and commissioning on bills payment services are considered an integral part of the store operations.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market 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. When the Group expects a provision or loss to be reimbursed, there imbursement is recognized as a separate asset only when the reimbursement is virtually certain and its amount is estimable. The expense relating to any provision is presented in profit or loss, net of any reimbursement.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefit is probable. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the consolidated financial statements.

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Group's position at the balance sheet date (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are non-adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. Use of Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in accordance with PFRS requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements and notes. The judgments, estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at balance sheet date. Future events may occur which can cause the assumptions used in arriving at those judgments, estimates and assumptions to change. The effects of any changes will be reflected in the consolidated financial statements of the Group as they become reasonably determinable.

Judgments

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

Determination of Functional Currency

Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Group has been determined to be the Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. It is the currency that mainly influences the revenue, costs and expenses of the Group.

Classification of Financial Instruments

The Group classifies a financial instrument, or its components, on initial recognition as a financial asset, liability or equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, liability or equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated balance sheet.

Financial assets are classified as financial assets at FVPL, HTM investments, AFS financial assets and loans and receivables. Financial liabilities, on the other hand, are classified as financial liabilities at FVPL and other financial liabilities.

The Group classifies the cumulative redeemable preferred shares as liability in accordance with the redemption features contained in the shareholders agreement (see Note 15). The cumulative redeemable preferred shares are redeemable at the option of the holder.

The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this classification at every balance sheet date.

The Group's financial instruments consist of loans and receivables and other financial liabilities (see Note 30).

Classification of Leases

a. Finance lease as lessor

The Group entered into a sale and leaseback transaction with an armored car service provider where it has determined that the risks and rewards related to the armored vehicles leased out will be transferred to the lessee at the end of the lease term. As such, the lease agreement was accounted for as a finance lease (see Note 26).

b. Operating lease as lessee

The Group entered into various property leases, where it has determined that the risks and rewards related to the properties are retained with the lessors. As such, the lease agreements were accounted for as operating leases (see Note 26).

c. Operating lease as lessor

The Group entered into property subleases on its leased properties. The Group determined that it retains all the significant risks and rewards of these properties which are leased out on operating leases (see Note 26).

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities follow:

Determination of Fair Values

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, options pricing models, and other relevant valuation models.

Note 29 presents the fair values of the financial instruments and the methods and assumptions used in estimating their fair values.

Impairment of Loans and Receivables

The Group reviews its loans and receivables at each balance sheet date to assess whether a provision for impairment should be recognized in profit or loss or loans and receivables balance should be written off. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. Moreover, management evaluates the presence of objective evidence of impairment which includes observable data that comes to the attention of the Group about loss events such as but not limited to significant financial difficulty of the

counterparty, a breach of contract, such as a default or delinquency in interest or principal payments, probability that the borrower will enter bankruptcy or other financial re-organization.

In addition to specific allowances against individually significant loans and receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This takes into consideration the credit risk characteristics such as customer type, payment history, past due status and term.

The carrying value of loans and receivables amounted to ₱1,857,374,371 and ₱2,027,780,292 as at December 31, 2015 and 2014, respectively (see Notes 4, 5, 9, 10 and 30). Allowance for impairment on loans and receivables amounted to ₱24,435,395 and ₱18,960,182 as at December 31, 2015 and 2014 (see Note 5). Provision for impairment amounted to ₱5,742,310, nil and ₱12,671,486 in 2015, 2014 and 2013, respectively (see Note 19).

Decline in Inventory Value

Provisions are made for inventories whose NRV are lower than their carrying cost. This entails determination of replacement costs and costs necessary to make the sale. The estimates are based on a number of factors, such as but not limited to the age, status and recoverability of inventories.

The carrying value of inventories amounted to ₱1,568,498,726 and ₱1,165,094,076 as at December 31, 2015 and 2014, respectively (see Note 6). No provisions for decline in inventory value were recognized in 2015, 2014 and 2013.

Impairment of Non-financial Assets Other than Goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets, other than goodwill, at each balance sheet date. These non-financial assets (property and equipment, rent deposits, and software and program cost) are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance relative to 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
- decline in appraised value.

As at December 31, 2015 and 2014, the Group has not identified any indicators or circumstances that would indicate that the Group's property and equipment, rent deposits and software and program cost are impaired. Thus, no impairment losses on these non-financial assets were recognized for the years ended December 31, 2015, 2014 and 2013.

The carrying values of these non-financial assets are as follows:

	2015	2014
Property and equipment (Note 8)	₱4,753,670,268	₱3,558,089,998
Rent deposits (Note 9)	415,821,916	324,638,850
Software and program cost (Note 10)	2,524,677	3,477,680

Estimation of Useful Lives of Property and Equipment and Software and Program Cost

The Group estimates the useful lives of its property and equipment and software and program cost based on a period over which the assets are expected to be available for use and on collective assessment of industry practices, internal evaluation and experience with similar arrangement. The estimated useful lives of property and equipment and software and program cost are revisited at the end of each financial reporting period and updated if expectations differ materially from previous estimates.

Property and equipment, net of accumulated depreciation and amortization, amounted to ₱4,753,670,268 and ₱3,558,089,998 as at December 31, 2015 and 2014, respectively (see Note 8). The carrying amounts of software and program cost amounted to ₱2,524,677 and ₱3,477,680 as at December 31, 2015 and 2014, respectively (see Note 10).

Revaluation of Land

The Group's parcels of land are carried at revalued amounts, which approximate its fair values at the date of the revaluation, less any subsequent accumulated impairment losses. The valuations of land are performed by independent appraisers. Revaluations are made every two to five years or more frequently as necessary, to ensure that the carrying amounts do not differ materially from those which would be determined using fair values at balance sheet date.

The last appraisal made on the Group's parcels of land was in June 2014, where it resulted to an additional appraisal increase of ₱15,289,400, net of ₱6,552,600 deferred income tax liability. The carrying amount of land amounted to ₱66,323,000 as at December 31, 2015 and 2014 (see Note 8).

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs to which the goodwill is allocated. Estimating the value in use amount requires management to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Based on the assessment made by the Group, there is no impairment of goodwill as the recoverable amount of the CGUs exceeds the carrying amount of the unit, including goodwill as at December 31, 2015 and 2014. The carrying value of goodwill amounted to ₱65,567,524 as at December 31, 2015 and 2014 (see Note 10). No impairment losses were recognized in 2015, 2014 and 2013.

Estimation of Retirement Benefits

The net retirement benefits cost and the present value of retirement obligations 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 future pension increases. 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 financial 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 publicly available mortality tables. Future salary increases and pension increases are based on expected future inflation rates.

The Group's net retirement obligations amounted to ₱100,870,628 and ₱100,404,074 as at December 31, 2015 and 2014, respectively (see Note 24). Retirement benefits cost amounted to ₱23,029,230, ₱19,867,370 and ₱16,858,692 in 2015, 2014 and 2013, respectively (see Notes 23 and 24).

Provisions and Contingencies

The Group has pending legal cases in the ordinary course of business. The Group's estimate of the probable costs for the resolution of these legal cases has been developed in consultation with in-house and outside legal counsels and is based upon the analysis of the potential outcomes. It is possible, however, that future results of operations could be affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings.

As at December 31, 2015 and 2014, the Group has provisions amounting to ₱22,718,853 and ₱8,718,853, respectively, and is reported as part of "Others" under "Accounts payable and accrued expenses" account in the consolidated balance sheets (see Note 12). Provisions and contingencies are further explained in Note 34.

Realizability of Deferred Income Tax Assets

Deferred income tax assets are recognized for all temporary deductible differences to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized. Management has determined based on business forecast of succeeding years that there is enough taxable profits against which the recognized deferred income tax assets will be realized.

The Group's recognized deferred income tax assets amounted to ₱102,693,630 and ₱95,008,691 as at December 31, 2015 and 2014, respectively (see Note 27).

4. **Cash and Short-Term Investment**

	2015	2014
Cash on hand	₱289,636,424	₱174,433,643
Cash in banks	586,341,649	1,067,252,100
	₱875,978,073	₱1,241,685,743

Cash in banks earn interest at the respective bank deposit rates.

As at December 31, 2015 and 2014, short-term investment amounting to ₱10,983,401 and ₱10,884,130, respectively, pertains to time deposit which has a maturity date of more than 90 days.

Interest income from savings and deposits accounts and short-term investment amounted to ₱3,510,087, ₱2,545,822 and ₱4,298,717 in 2015, 2014 and 2013, respectively (see Note 22).

5. Receivables

	2015	2014
Suppliers	₱408,935,881	₱159,162,156
Franchisees (Note 32)	329,329,550	403,074,403
Employees	30,389,608	17,206,304
Store operators	3,983,205	12,048,431
Rent	2,007,087	5,363,909
Due from PhilSeven Foundation, Inc. (PFI) (Note 25)	4,088,483	3,525,452
Lease receivable - net of unearned interest income amounting to nil and 5,773 as at December 31, 2015 and 2014, respectively (Note 26)	3,747,773	3,742,000
Insurance receivable	1,192,091	1,155,417
Notes receivable	990,917	990,917
Others	7,030,373	2,078,334
	791,694,968	608,347,323
Less allowance for impairment	24,435,395	18,960,182
	₱767,259,573	₱589,387,141

The classes of receivables of the Group are as follows:

- Suppliers - pertains to receivables from the Group's suppliers for display allowances, annual volume discount and commission income from different service providers.
- Franchisees - pertains to receivables for the inventory loans obtained by the franchisees at the start of their store operations and charges for various expenses such as rent and utilities.
- Employees - includes car loans, salary loans and cash shortages from stores which are charged to employees. Interest earned on receivable from employees amounted to nil, ₱13,660 and ₱17,037 in 2015, 2014 and 2013, respectively (see Note 22).
- Store operators - pertains to the advances given to third party store operators under service agreements (see Note 32).
- Rent - pertains to receivables from sublease agreements with third parties, which are based on an agreed fixed monthly rate or as agreed upon by the parties.
- Lease receivable - pertains to a five-year sale and leaseback finance lease agreement entered by the Company with an armored car service provider (see Note 26).
- Notes receivable - pertains to a receivable from a third party borrower evidenced by a written promise of payment with a five-year term maturing on January 31, 2015. Unamortized discount amounted to nil in 2015 and 2014. Accretion of interest income amounted to nil, ₱37,165 and ₱123,182 in 2015, 2014 and 2013, respectively (see Note 22).

Receivables are noninterest-bearing and are generally on 30 to 90 day terms except for loans to employees, lease receivable and notes receivable with annual interest rates of 10.00%, 7.00% and 6.32%, respectively (see Note 26).

Impairment on receivables is based on individual and collective assessment of accounts. Movements in allowance for impairment are as follows:

	2015				
	Beginning balances	Provision for the year (Note 19)	Write-off	Reversal	Ending balances
Suppliers	P15,565,934	P5,742,310	P-	P-	P21,308,244
Franchisees	214,342	-	-	-	214,342
Employees	539,921	-	-	-	539,921
Store operators	365,801	-	-	-	365,801
Rent	2,274,184	-	-	(267,097)	2,007,087
Total	P18,960,182	P5,742,310	P-	(P267,097)	P24,435,395

	2014				
	Beginning balances	Provision for the year (Note 19)	Write-off	Reversal	Ending balances
Suppliers	P15,565,934	P-	P-	P-	P15,565,934
Franchisees	214,342	-	-	-	214,342
Employees	539,921	-	-	-	539,921
Store operators	365,801	-	-	-	365,801
Rent	2,274,184	-	-	-	2,274,184
Total	P18,960,182	P-	P-	P-	P18,960,182

6. Inventories

	2015	2014
At cost (Note 18):		
Warehouse merchandise	P910,485,903	P716,772,116
Store merchandise	658,012,823	448,321,960
	P1,568,498,726	P1,165,094,076

No inventories are pledged nor treated as security to outstanding liabilities as at December 31, 2015 and 2014.

7. Prepayments and Other Current Assets

	2015	2014
Current portion of:		
Deferred input VAT	P158,318,201	P99,572,933
Deferred lease (Notes 10 and 26)	3,646,778	3,554,358
Prepaid:		
Rent	109,315,676	133,107,466
Store expenses	27,653,626	33,469,093
Uniform	4,451,884	1,531,177
Taxes	182,553	8,987,076
Repairs and maintenance	-	46,294
Others	15,706,447	8,014,104

(Forward)

	2015	2014
Advances to suppliers	P47,053,657	P33,409,032
Advances for expenses	41,742,009	25,820,535
Supplies	4,691,537	5,810,873
Dues and subscription	-	706,584
Others (Note 30)	13,288,330	4,367,005
	P426,050,698	P358,396,530

Deferred input VAT pertains to the input VAT on the acquisition of capital goods over P1,000,000 which are being amortized over the useful life or 60 months, whichever is shorter, commencing on the date of acquisition.

8. Property and Equipment

Movements in property and equipment are as follows:

	2015								Total
	At Cost								
	Land- at Revalued Amount	Buildings and Improvements	Store Furniture and Equipment	Office Furniture and Equipment	Transportation Equipment	Computer Equipment	Leasehold Improvements	Construction In-Progress	
Cost/Revalued Amount									
Beginning balances	P66,323,000	P156,326,344	P2,897,637,390	P956,106,238	P52,347,579	P298,187,598	P1,713,536,550	P185,123,564	P6,325,588,263
Additions	-	-	1,208,723,010	353,225,388	10,655,186	85,046,116	139,543,624	490,623,580	2,287,816,904
Retirements	-	-	(56,872,570)	(32,653,584)	(1,537,731)	(5,496,981)	(69,185,144)	-	(165,746,010)
Reclassifications	-	-	-	-	-	-	397,055,343	(397,055,343)	-
Revaluation increment	-	-	-	-	-	-	-	-	-
Ending balances	66,323,000	156,326,344	4,049,487,830	1,276,678,042	61,465,034	377,736,733	2,180,950,373	278,691,801	8,447,659,157
Accumulated Depreciation and Amortization									
Beginning balances	-	80,224,199	1,378,656,135	436,786,878	27,107,834	187,110,400	657,612,819	-	2,767,498,265
Depreciation and amortization (Note 19)	-	6,921,638	589,227,758	195,791,519	10,182,292	56,433,505	233,666,647	-	1,092,223,359
Retirements	-	-	(56,872,570)	(32,640,309)	(1,537,731)	(5,496,981)	(69,185,144)	-	(165,732,735)
Reclassifications	-	-	-	-	-	-	-	-	-
Ending balances	-	87,145,837	1,911,011,323	599,938,088	35,752,395	238,046,924	822,094,322	-	3,693,988,889
Net Book Values	P66,323,000	P69,180,507	P2,138,476,507	P676,739,954	P25,712,639	P139,689,809	P1,358,856,051	P278,691,801	P4,753,670,268

	2014								Total
	At Cost								
	Land- at revalued Amount	Buildings and Improvements	Store Furniture and Equipment	Office Furniture and Equipment	Transportation Equipment	Computer Equipment	Leasehold Improvements	Construction In-Progress	
Cost/Revalued Amount									
Beginning balances	P44,481,000	P118,154,849	P2,200,106,026	P763,055,302	P45,130,103	P244,985,364	P1,421,900,034	P95,198,923	P4,933,011,601
Additions	-	9,397,840	746,231,018	265,953,317	10,688,290	66,548,549	222,127,663	332,626,429	1,653,573,106
Retirements	-	-	(48,699,654)	(72,902,381)	(3,470,814)	(13,346,315)	(144,419,280)	-	(282,838,444)
Reclassifications	-	28,773,655	-	-	-	-	213,928,133	(242,701,788)	-
Revaluation increment	21,842,000	-	-	-	-	-	-	-	21,842,000
Ending balances	66,323,000	156,326,344	2,897,637,390	956,106,238	52,347,579	298,187,598	1,713,536,550	185,123,564	6,325,588,263
Accumulated Depreciation and Amortization									
Beginning balances	-	74,124,862	978,021,331	358,827,296	19,367,872	165,369,417	590,628,202	-	2,186,338,980
Depreciation and amortization (Note 19)	-	4,058,141	449,334,458	150,730,603	10,103,916	35,087,298	213,445,093	-	862,759,509
Retirements	-	-	(48,699,654)	(72,771,021)	(2,363,954)	(13,346,315)	(144,419,280)	-	(281,600,224)
Reclassifications	-	2,041,196	-	-	-	-	(2,041,196)	-	-
Ending balances	-	80,224,199	1,378,656,135	436,786,878	27,107,834	187,110,400	657,612,819	-	2,767,498,265
Net Book Values	P66,323,000	P76,102,145	P1,518,981,255	P519,319,360	P25,239,745	P111,077,198	P1,055,923,731	P185,123,564	P3,558,089,998

Construction in-progress pertains to costs of constructing new stores and renovation of old stores. Completion of construction and renovation is expected within three months to one year from construction date. The costs of constructed stores are accumulated until such time the relevant assets are completed and put into operational use.

In June 2014, the Group revalued its land with cost amounting to ₱39,866,864 at appraised value of ₱66,323,000, as determined by a professionally qualified independent appraiser. The additional appraisal increase of ₱15,289,400, net of ₱6,552,600 deferred income tax liability (see Note 27), resulting from the revaluation was credited to “Revaluation increment on land - net of deferred income tax liability” account under equity section of the consolidated balance sheets. The appraised value was determined using the market data approach, wherein the value of the land is based on sales and listings of comparable properties registered within the vicinity. Land is categorized under level 3 in the fair value hierarchy.

The cost of fully depreciated property and equipment that are still being used in operations amounted to ₱854,515,613 and ₱642,631,189 as at December 31, 2015 and 2014, respectively. No property and equipment are pledged nor treated as security to the outstanding liabilities as at December 31, 2015 and 2014.

9. Deposits

	2015	2014
Rent	₱415,821,916	₱324,638,850
Refundable (Notes 29 and 30)	85,525,747	75,964,346
Utilities (Notes 29 and 30)	69,522,572	53,374,427
Others (Notes 29 and 30)	7,479,457	6,551,174
	₱578,349,692	₱460,528,797

Refundable

Refundable deposits on rent are computed at amortized cost as follows:

	2015	2014
Face value of security deposits	₱116,605,505	₱112,684,321
Refunded	(3,390,502)	(7,785,736)
Unamortized discount	(27,689,256)	(28,934,239)
	₱85,525,747	₱75,964,346

Movements in unamortized discount are as follows:

	2015	2014
Beginning balance	₱28,934,239	₱18,628,980
Additions	2,264,413	13,353,716
Accretion (Note 22)	(3,509,396)	(3,048,457)
Ending balance	₱27,689,256	₱28,934,239

10. Goodwill and Other Noncurrent Assets

	2015	2014
Noncurrent portion of:		
Deferred input VAT	₱239,469,982	₱204,816,161
Prepaid rent	69,497,911	64,581,202
Receivable from franchisees (Note 32)	36,836,593	48,675,044
Deferred lease (Note 26)	18,968,629	21,762,365
Intangible assets:		
Goodwill	65,567,524	65,567,524
Software and program cost	2,524,677	3,477,680
Garnished accounts	5,937,064	7,945,958
Others	635,912	2,174,510
	₱439,438,292	₱419,000,444

Deferred Lease

Deferred lease pertains to “Day 1” loss recognized on refundable deposits on rent, which is amortized on a straight-line basis over the term of the related leases.

Movements in deferred lease are as follows:

	2015	2014
Beginning balance	₱25,316,723	₱14,240,643
Additions	2,264,413	13,353,716
Amortization (Note 26)	(4,965,729)	(2,277,636)
Ending balance	22,615,407	25,316,723
Less current portion (Note 7)	3,646,778	3,554,358
Noncurrent portion	₱18,968,629	₱21,762,365

Goodwill

On March 22, 2004, the Group purchased the leasehold rights and store assets of Jollimart Philippines Corporation (Jollimart) for a total consideration of ₱130,000,000. The excess of the acquisition cost over the fair value of the assets acquired was recorded as goodwill amounting to ₱70,178,892. In 2008, the Group recognized an impairment loss in goodwill amounting to ₱4,611,368.

The recoverable amount of the goodwill was estimated based on the value in use calculation using cash flow projections from financial budgets approved by senior management covering a five year period. The pre-tax discount rate applied to cash flow projections is 13.20% in 2015 and 12.70% in 2014. The cash flows beyond the five-year period are extrapolated using 2.00% and 3.00% growth rates in 2015 and 2014, respectively, which are the same as the long-term average growth rates for the retail industry.

No store acquired from Jollimart was closed in 2015 and 2014. In 2011, the Group has closed one store out of the 25 remaining stores it purchased from Jollimart. No impairment loss was recognized in 2015, 2014 and 2013.

Goodwill is allocated to the group of CGU which comprises the working capital and property and equipment of all the purchased stores’ assets.

Key assumptions used in value in use calculations in 2015 and 2014 follow:

a. Sales and Cost Ratio

Sales and cost ratio are based on average values achieved in the three years preceding the start of the budget period. These are increased over the budget period for anticipated efficiency improvements. Sales are projected to increase by 2.00% per annum in 2015 and 2014 while the cost ratio is set at 68.10% to 73.80% and 69.30% to 70.30% of sales per annum in 2015 and 2014, respectively.

b. Discount Rates

Discount rates reflect management's estimates of the risks specific to the CGU. Management computed for its weighted average cost of capital (WACC). In computing for its WACC, the following items were considered:

- Average high and low range of average bank lending rates as of year-end
- Yield on a 10-year Philippine zero coupon bond as of valuation date
- Market risk premium
- Company relevered beta
- Alpha risk

c. Growth Rate Estimates

Rates are based on average historical growth rate which is consistent with the expected average growth rate for the industry. Annual inflation and rate of possible reduction in transaction count were also considered in determining growth rates used.

Management recognized that unfavorable conditions could materially affect the assumptions used in the determination of value in use. An increase of 21.24% and 26.25% in the discount rates, or a reduction of growth rates by 17.10% and 13.00%, would give a value in use equal to the carrying amount of the CGU in 2015 and 2014, respectively.

Software and Program Cost

Movements in software and program cost are as follows:

	2015	2014
Cost:		
Beginning balance	₱19,118,180	₱17,871,180
Additions	-	1,247,000
Reclassification	(75,000)	-
Ending balance	19,043,180	19,118,180
Accumulated amortization:		
Beginning balance	15,640,500	14,984,895
Amortization (Note 19)	878,003	655,605
Ending balance	16,518,503	15,640,500
Net book value	₱2,524,677	₱3,477,680

Garnished Accounts

Garnished accounts pertain to the amount set aside by the Group, as required by the courts, in order to answer for litigation claims should the results be unfavorable to the Group.

11. Bank Loans and Long-term Debt

Bank Loans

Bank loans in 2015 and 2014 represent unsecured Philippine Peso-denominated short-term borrowings of PSC from various local banks, payable in lump-sum in 2016 and 2015, respectively, with annual interest rates ranging from 1.90% to 2.90% in 2015 and 2.00% to 2.50% in 2014, which are repriced monthly based on market conditions.

Movements in bank loans are as follows:

	2015	2014
Beginning balance	₱750,000,000	₱560,000,000
Availments	1,480,000,000	950,000,000
Payments	(1,080,000,000)	(760,000,000)
Ending balance	₱1,150,000,000	₱750,000,000

Interest expense from these bank loans amounted to ₱32,135,465, ₱16,060,038 and ₱16,033,270 in 2015, 2014 and 2013, respectively (see Note 21). Interest payable amounted to ₱1,456,250 and ₱800,000 as at December 31, 2015 and 2014, respectively (see Note 12).

Long-term Debt

Long-term debt availed in 2015 represent unsecured Philippine Peso-denominated borrowings of CDI from a local bank, payable in 20 quarterly equal payments until May 13, 2020. These borrowings bear interest rates ranging from 3.14% to 3.22% in 2015, subject to quarterly repricing based on market conditions.

Movements in long-term debt loans are as follows:

	2015
Availments	₱90,000,000
Payments	9,000,000
	81,000,000
Less current portion	18,000,000
Noncurrent portion	₱63,000,000

Interest expense from these borrowings amounted to ₱1,701,418 in 2015 and nil in 2014 and 2013 (see Note 21). Interest payable amounted to ₱142,214 and nil as at December 31, 2015 and 2014, respectively (see Note 12).

The proceeds of the bank loans and long-term debt were used for the operations of the Group.

12. Accounts Payable and Accrued Expenses

	2015	2014
Trade payable	₱1,826,297,820	₱2,031,839,981
Employee benefits	105,085,550	71,421,033
Utilities	96,576,822	90,223,127
Rent (Note 26)	75,616,440	65,729,071
Outsourced services	64,035,623	41,302,057
Repairs and maintenance	44,187,134	20,436,412
Bank charges	25,180,700	14,254,500
Security services	20,713,819	9,112,687
Advertising and promotion	2,846,192	41,339,695
Interest (Notes 11 and 15)	2,011,954	1,058,750
Others (Note 34)	103,569,342	58,443,400
	₱2,366,121,396	₱2,445,160,713

The trade suppliers generally provide 15 or 30-day credit terms to the Group. Prompt payment discounts ranging from 0.5% to 5.0% are given by a number of trade suppliers. All other payables are due within 3 months.

Others include provisions and accruals of various expenses incurred in the stores' operations.

13. Other Current Liabilities

	2015	2014
Non-trade accounts payable	₱743,739,171	₱410,511,377
Output VAT	145,484,516	74,165,095
Retention payable	113,676,477	81,784,397
Withholding taxes	51,317,633	43,688,935
Current portion of deferred revenue on:		
Exclusivity contract (Notes 16 and 32)	25,000,000	25,000,000
Customer loyalty programme	43,628,031	18,173,684
Finance lease (Note 26)	-	98,264
Royalty (Note 32)	24,323,677	19,330,605
Due to franchisees (Note 32)	18,341,605	128,356,232
Service fees payable	1,456,938	8,012,505
Others (Note 25)	57,553,594	44,601,544
	₱1,224,521,642	₱853,722,638

Non-trade accounts payable pertains to payable to suppliers of goods or services that forms part of general and administrative expenses. These are noninterest-bearing and are due within one year.

Retention payable pertains to the 10% of progress billings related to the construction of stores to be paid upon satisfactory completion of the construction.

Service fees payable pertains to management fee to store operators of service agreement stores computed based on a graduated percentage multiplied to stores' gross profit and is payable the following month.

14. Deposits Payable

	2015	2014
Franchisees (Note 32)	₱128,226,587	₱124,767,926
Service agreements (Note 32)	94,282,022	95,268,832
Rent	15,796,534	14,465,851
	₱238,305,143	₱234,502,609

15. Cumulative Redeemable Preferred Shares

Cumulative redeemable preferred shares, which are redeemable at the option of the holder, represent the share of PSC-ERP through its trustee, BPI-AMTG, in SSHI's net assets pertaining to preferred shares. PSC-ERP is entitled to an annual "Guaranteed Preferred Dividend" in the earnings of SSHI starting April 5, 2002, the date when the 25% of the subscription on preferred shares have been paid, in accordance with the Corporation Code.

The guaranteed annual dividends shall be calculated and paid in accordance with the Shareholder's Agreement dated November 16, 2000 which provides that the dividend shall be determined by the BOD of SSHI using the prevailing market conditions and other relevant factors. Further, the preferred shareholder shall not participate in the earnings of SSHI except to the extent of guaranteed dividends and whatever is left of the retained earnings will be declared as dividends in favor of common shareholders. Guaranteed preferred dividends included under "Interest expense" account in the consolidated statements of comprehensive income amounted to ₱154,740, ₱135,780 and ₱214,620 in 2015, 2014 and 2013, respectively (see Note 21). Interest payable amounted to ₱413,490 and ₱258,750 as at December 31, 2015 and 2014, respectively (see Note 12).

16. Deferred Revenue

	2015	2014
Noncurrent portion of deferred revenue on:		
Exclusivity contracts (Note 32)	₱-	₱25,000,000
Others	5,905,714	1,552,651
	₱5,905,714	₱26,552,651

Deferred Revenue on Exclusivity Contracts

Movements in deferred revenue on exclusivity contracts are as follows:

	2015	2014
Beginning balance	₱50,000,000	₱446,429
Addition	-	75,000,000
Amortization (Notes 20 and 32)	(25,000,000)	(25,446,229)
Ending balance (Note 32)	25,000,000	50,000,000
Less current portion (Note 13)	25,000,000	25,000,000
Noncurrent portion	₱-	₱25,000,000

17. Equity

Common Stock

The Company was listed with the Philippine Stock Exchange on February 4, 1998 with total listed shares of 71,382,000 common shares consisting of 47,000,000 shares for public offering and 24,382,000 shares for private placement. The Group offered the share at a price of ₱4.40.

Below is the Company's track record of the registration of securities:

Date of SEC order rendered effective or permit to sell/ Date of SEC approval	Event	Authorized Capital Stock	Issued shares	Issue price/ Par value
January 9, 1998	Outstanding common shares	400,000,000	166,556,250	₱1.00
	Listed shares:			
February 4, 1998	Public offering	400,000,000	47,000,000	4.40
	Private placement	400,000,000	24,382,000	4.40
August 15, 2008	10% stock dividends	400,000,000	23,725,200	1.00
August 4, 2009	10% stock dividends	400,000,000	26,097,720	1.00
August 27, 2010	5% stock dividends	400,000,000	14,353,746	1.00
August 19, 2011	15% stock dividends	400,000,000	45,214,300	1.00
November 15, 2012	15% stock dividends	600,000,000	51,996,445	1.00
August 15, 2013	15% stock dividends	600,000,000	59,795,912	1.00
As at December 31, 2015			459,121,573	

As at December 31, 2015 and 2014, the Company has a total of 630 and 640 shareholders on record.

On July 24, 2012, the BOD and at least 2/3 of the Company's stockholders approved the increase of the Company's authorized common stock from ₱400,000,000, divided into 400,000,000 common shares with par value of ₱1 per share, to ₱600,000,000, divided into 600,000,000 common shares with a par value of ₱1 per share.

The Philippine SEC approved the Company's application for the increase in its authorized capital stock on October 19, 2012.

Retained Earnings

The Group's retained earnings is restricted to the extent of ₱177,324,949 and ₱107,463,213 as at December 31, 2015 and 2014, respectively, for the undistributed earnings of subsidiaries and ₱2,923,246 as at December 31, 2015 and 2014 for the cost of treasury shares.

On November 18, 2015, the BOD approved the appropriation of retained earnings amounting to ₱2,450,000,000 intended for store and warehouse expansion. These projects are expected to be completed in 2018.

Stock Dividends

There was no stock dividend declaration in 2015 and 2014. Details of the Group's stock dividend declaration for the year ended December 31, 2013 are as follows:

Declaration date	Record date	Stock dividend %	Outstanding no. of common shares as at declaration date	Total stock dividend issued
July 18, 2013	August 15, 2013	15%	398,639,411	59,795,912

The Group's BOD and at least 2/3 of the Group's stockholders approved all the aforementioned stock dividend declarations.

Cash Dividends

Details of the Group's cash dividend declaration for the years ended December 31, 2015, 2014 and 2013 are shown below:

Declaration date	Record date	Payment date	Dividend per share	Outstanding no. of common shares as of declaration date	Total cash dividends
April 23, 2015	May 8, 2015	May 22, 2015	₱0.40	458,435,323	₱183,374,129
April 24, 2014	May 23, 2014	June 18, 2014	0.30	458,435,323	137,530,597
July 18, 2013	August 15, 2013	September 9, 2013	0.10	398,639,411	39,863,941

The Group's BOD approved all the cash dividends presented above.

Treasury Shares

There are 686,250 shares that are in treasury amounting to ₱2,923,246 as at December 31, 2015 and 2014. There is no movement in the Group's treasury shares in 2015 and 2014.

18. Cost of Merchandise Sales

	2015	2014	2013
Merchandise inventory, beginning (Note 6)	₱1,165,094,076	₱900,849,891	₱726,986,563
Net purchases	17,294,994,990	13,125,840,660	10,835,492,846
	18,460,089,066	14,026,690,551	11,562,479,409
Less merchandise inventory, ending (Note 6)	1,568,498,726	1,165,094,076	900,849,891
	₱16,891,590,340	₱12,861,596,475	₱10,661,629,518

19. General and Administrative Expenses

	2015	2014	2013
Communication, light and water	₱1,260,607,213	₱1,111,566,076	₱908,791,566
Rent (Note 26)	1,121,193,327	716,894,020	553,791,399
Depreciation and amortization (Note 8)	1,092,223,359	862,759,509	709,518,959
Outside services (Note 32)	1,050,937,424	787,035,907	668,604,676
Personnel costs (Note 23)	568,997,511	365,590,415	342,606,112

(Forward)

	2015	2014	2013
Trucking services	₱350,442,201	₱293,246,442	₱218,412,580
Advertising and promotion	345,030,366	281,258,513	246,559,168
Royalties (Note 32)	256,390,436	204,755,907	171,714,747
Warehousing services	254,130,414	199,368,536	141,077,370
Repairs and maintenance	225,459,706	145,069,812	136,666,288
Supplies	204,200,092	149,834,763	113,159,695
Taxes and licenses	176,774,287	103,144,450	104,669,922
Transportation and travel	65,660,872	61,541,457	46,379,337
Entertainment, amusement and recreation	60,768,450	38,931,132	33,472,479
Inventory losses	37,972,396	23,252,340	12,561,816
Dues and subscription	20,462,743	14,609,800	11,579,746
Insurance	16,139,822	12,136,880	10,311,574
Provision for impairment of receivables (Note 5)	5,742,310	-	12,671,486
Amortization of software and program cost (Note 10)	878,003	655,605	1,316,561
Others	349,577,933	144,722,272	76,519,585
	₱7,463,588,865	₱5,516,373,836	₱4,520,385,066

20. Marketing Income

	2015	2014	2013
Promotions	₱566,683,080	₱318,031,168	₱288,895,179
Marketing support funds (Notes 16 and 32)	168,538,374	145,381,982	91,898,676
	₱735,221,454	₱463,413,150	₱380,793,855

21. Interest Expense

	2015	2014	2013
Interest on bank loans and long-term debt (Note 11)	₱33,836,883	₱16,060,038	₱16,033,270
Guaranteed preferred dividends (Note 15)	154,740	135,780	214,620
	₱33,991,623	₱16,195,818	₱16,247,890

22. Interest Income

	2015	2014	2013
Bank deposits (Note 4)	₱3,385,138	₱2,450,337	₱4,103,156
Accretion of refundable deposits (Note 9)	3,509,396	3,048,457	2,529,649
Short-term investment (Note 4)	124,949	95,485	195,561
Finance lease (Note 26)	5,773	96,445	197,219
Accretion of note receivable (Note 5)	-	37,165	123,182
Receivable from employees (Note 5)	-	13,660	17,037
	₱7,025,256	₱5,741,549	₱7,165,804

23. Personnel Costs

	2015	2014	2013
Salaries and wages	₱302,201,732	₱184,489,666	₱175,765,448
Employee benefits	243,766,549	161,233,379	149,981,972
Net retirement benefits cost (Note 24)	23,029,230	19,867,370	16,858,692
	₱568,997,511	₱365,590,415	₱342,606,112

24. Retirement Benefits

The Group maintains a trustee, non-contributory defined benefit retirement plan covering all qualified employees administered by a trustee bank under the supervision of the Board of Trustees (BOT) of the plan. The BOT is responsible for investment of the assets. It defines the investment strategy as often as necessary, at least annually, especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the plans' objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target structure (investment policy). The BOT delegates the implementation of the investment policy in accordance with the investment strategy as well as various principles and objectives to an Investment Committee, which also consists of members of the BOT, a Director and a Controller. The Controller of the fund is the one who oversees the entire investment process.

Under the existing regulatory framework, Republic Act 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Changes in net retirement obligations in 2015 are as follows:

	Net retirement benefits cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					Contribution by employer	December 31, 2015	
	January 1, 2015	Current service cost	Net interest	Subtotal (Note 23)	Benefits paid	Remeasurement on plan assets	Actuarial changes arising from changes in financial assumptions	Actuarial changes arising from changes in demographic assumptions	Experience adjustments			Subtotal
Present value of the retirement obligations												
PSC	(P158,897,660)	(P17,719,335)	(P7,325,182)	(P25,044,517)	P4,389,781	P-	P10,686,665	(P1,899,437)	(P2,570,780)	P6,216,448	P-	(P173,335,948)
CDI	(9,548,565)	(736,772)	(385,200)	(1,121,972)	1,517,995	-	328,835	(41,036)	(339,991)	(52,192)	-	(9,204,734)
	(168,446,225)	(18,456,107)	(7,710,382)	(26,166,489)	5,907,776	-	11,015,500	(1,940,473)	(2,910,771)	P6,164,256	-	(182,540,682)
Fair value of plan assets												
PSC	65,463,006	-	3,017,845	3,017,845	(2,379,383)	(1,575,151)	-	-	-	(1,575,151)	15,000,000	79,526,317
CDI	2,579,145	-	119,414	119,414	(445,995)	(108,827)	-	-	-	(108,827)	-	2,143,737
	68,042,151	-	3,137,259	3,137,259	(2,825,378)	(1,683,978)	-	-	-	(1,683,978)	15,000,000	81,670,054
Net retirement obligations	(P100,404,074)	(P18,456,107)	(P4,573,123)	(P23,029,230)	P3,082,398	(P1,683,978)	P11,015,500	(P1,940,473)	(P2,910,771)	P4,480,278	P15,000,000	(P100,870,628)

Changes in net retirement obligations in 2014 are as follows:

	Net retirement benefits cost in consolidated statement of comprehensive income				Remeasurements in other comprehensive income					Contribution by employer	December 31, 2014	
	January 1, 2014	Current service cost	Net interest	Subtotal (Note 23)	Benefits paid	Remeasurement on plan assets	Actuarial changes arising from changes in financial assumptions	Experience adjustments	Subtotal			
Present value of the retirement obligations												
PSC	(P138,054,970)	(P14,826,166)	(P6,322,918)	(P21,149,084)	P2,176,317	P-	P742,576	(P2,612,499)	(P1,869,923)	P-	P-	(P158,897,660)
CDI	(8,206,463)	(641,611)	(353,699)	(995,310)	-	-	199,383	(546,175)	(346,792)	-	-	(9,548,565)
	(146,261,433)	(15,467,777)	(6,676,617)	(22,144,394)	2,176,317	-	941,959	(3,158,674)	(2,216,715)	-	-	(168,446,225)
Fair value of plan assets												
PSC	48,701,153	-	2,230,513	2,230,513	(2,176,317)	(1,737,143)	-	-	(1,737,143)	18,444,800	-	65,463,006
CDI	1,079,138	-	46,511	46,511	-	(46,504)	-	-	(46,504)	1,500,000	-	2,579,145
	49,780,291	-	2,277,024	2,277,024	(2,176,317)	(1,783,647)	-	-	(1,783,647)	19,944,800	-	68,042,151
Net retirement obligations	(P96,481,142)	(P15,467,777)	(P4,399,593)	(P19,867,370)	P-	(P1,783,647)	P941,959	(P3,158,674)	(P4,000,362)	P19,944,800	P-	(P100,404,074)

The fair value of plan assets by each class as at the end of each balance sheet date are as follows:

	PSC		CDI	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Government securities	₱52,092,967	₱-	₱-	₱-
BPI short term fund:				
Unit investment trust fund	6,675,765	55,493,618	107,452	2,067,114
BPI ALFM mutual fund	10,060,085	-	2,036,285	512,031
Investments in equity securities:				
PSC - listed shares - 46,975 and 40,848 as at December 31, 2015 and 2014, respectively	4,697,500	3,969,388	-	-
SSHI - unlisted shares	6,000,000	6,000,000	-	-
Fair value of plan assets	₱79,526,317	₱65,463,006	₱2,143,737	₱2,579,145

The trustee exercises voting rights over the PSC and SSHI shares held by the retirement fund.

The retirement benefits cost and the present value of the retirement are determined using actuarial valuations. The actuarial valuation involves making various assumptions. The principal assumptions used in determining the net retirement obligations are shown below:

	PSC		CDI	
	2015	2014	2015	2014
Discount rates	5.01%	4.61%	5.10%	4.63%
Salary increase rates	5.50%	5.50%	5.50%	5.50%
Turnover rates:				
Age 17-24	5.00%	5.00%	5.00%	5.00%
25-29	3.00%	3.00%	3.00%	3.00%
30-49	1.00%	1.00%	1.00%	1.00%
50-59	0.00%	0.00%	0.00%	0.00%

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 if all other assumptions were held constant:

	Increase (Decrease)	PSC	CDI
		Discount rates	
	+0.5%	(₱12,315,099)	(₱318,068)
	-0.5%	13,686,430	354,462
Salary increase rate			
	+1%	27,845,769	715,406
	-1%	(22,974,372)	(579,080)
Average remaining years of service			
	+3 years	3,686,836	20,343
	-3 years	(4,832,610)	222,989

The Group expects to contribute ₱22,408,311 and ₱1,209,000 to the defined benefit retirement plans of PSC and CDI, respectively, in 2016.

The Group does not currently employ any asset-liability matching. The average expected future service in years of the employees of PSC and CDI are 23 years and 19 years, respectively.

Shown below is the maturity analysis and weighted average duration of the retirement benefits obligations:

	Benefits Payments	
	PSC	CDI
Not exceeding 1 year	₱6,604,779	₱5,496,572
More than 1 year to 5 years	7,285,574	-
More than 5 to 10 years	49,714,903	2,362,598
More than 10 to 15 years	160,608,748	7,040,459
More than 15 years to 20 years	334,443,869	6,215,975
More than 20 years	3,011,990,686	52,134,695

25. Related Party Disclosures

Related party relationships exist 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 relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between and/or among the reporting enterprises and their key management personnel, directors or its stockholders.

Transactions with related parties consist of:

- a. PSC and CDI have transactions with PFI, a foundation with common key management of the Group, consisting of donations and noninterest-bearing advances pertaining primarily to salaries, taxes and other operating expenses initially paid by PSC for PFI. Donations payable to PFI is presented under "Others" in the "Other current liabilities" account in the consolidated balance sheets (see Note 13).

Balances arising from the foregoing transactions with related parties are as follows:

Related Parties	Relationship	Nature of Transactions	Terms and Conditions	Transactions for the Year Ended December 31		Outstanding Balance as at December 31	
				2015	2014	2015	2014
Receivables							
PFI (Note 5)	Under common control	Noninterest-bearing advances	Unsecured, no impairment in 2015 and 2014. Amounts are due and demandable.	₱563,032	₱406,473	₱4,088,483	₱3,525,452
Other current liabilities							
PFI	Under common control	Donations	0.5% of earnings before income tax from PSC and ₱720,000 annual donation from CDI Payable within 30 days.	₱8,712,935	₱7,203,333	₱7,012,712	₱2,894,337

- b. As at December 31, 2015 and 2014, the Group's defined benefit retirement fund has investments in shares of stock of PSC with a cost of ₱122,417. The retirement benefit fund earned a gain arising from changes in market prices amounting to ₱728,112 in 2015 and incurred a loss of ₱54,140 in 2014.

c. Compensation of key management personnel are as follows:

	2015	2014	2013
Short-term employee benefits	₱48,794,584	₱44,638,652	₱35,130,247
Post-employment benefits	4,021,235	2,699,447	2,855,806
Other long-term benefits	-	-	776,964
	₱52,815,819	₱47,338,099	₱38,763,017

26. Leases

Finance Lease as Lessor

In March 2007, PSC entered into a five-year sale and leaseback finance lease agreement with an armored car service provider. The lease has no terms of renewal and no escalation clauses. Unguaranteed residual values accruing to the Company amounted to ₱300,000.

In March 2010, the Company amended its agreement with the armored car service provider extending the lease term for another five years from March 1, 2010 to February 1, 2015, imposing 7% interest per annum on the restructured loan obligation and reducing its monthly rental payments. The unguaranteed residual values accruing to the Company was retained. No renewal was made in 2015 and the ownership of the armored car was transferred to the lessee upon end of the lease term.

a. Lease Receivable (Note 5)

Future minimum lease receivables under this lease as at December 31 are as follows:

	2015	2014
Within one year	₱3,747,773	₱3,747,773
After one year but not more than five years	-	-
Total minimum lease payments receivable	3,747,773	3,747,773
Less unearned interest income	-	5,773
Present value of future minimum lease payments receivable	3,747,773	3,742,000
Less current portion (Note 5)	3,747,773	3,742,000
Noncurrent portion	₱-	₱-

There were no collections of lease receivable in 2015 and 2014.

Present value of lease receivable as at December 31 is as follows:

	2015	2014
Within one year	₱3,747,773	₱3,742,000
After one year but not more than five years	-	-
Total minimum lease payments receivable	3,747,773	3,742,000
Less current portion	3,747,773	3,742,000
	₱-	₱-

Unearned interest income as at December 31, 2015 and 2014 amounted to nil and ₱5,773, respectively (see Note 5). Related interest income amounted to ₱5,773, ₱96,445 and ₱197,219 in 2015, 2014 and 2013, respectively (see Note 22).

b. Deferred Revenue on Finance Lease

Difference between the original lease agreement's present value of minimum lease payments at the date of lease inception against the carrying value of the finance lease asset resulted in a deferred revenue on finance lease amounting to ₱6,550,753, which is to be amortized on a straight-line basis over the lease term. The related deferred revenue amounted to nil and ₱98,264 as at December 31, 2015 and 2014, respectively, with current portion amounting to nil and ₱98,264 as at December 31, 2015 and 2014, respectively (see Note 13). Noncurrent portion amounted to nil in 2015 and 2014. Amortization of deferred revenue on finance lease amounted to ₱98,264 in 2015 and ₱589,567 in 2014 and 2013.

Operating Lease as Lessee

- a. PSC has various lease agreements with third parties relating to its store operations. Certain agreements provide for the payment of rentals based on various schemes such as an agreed percentage of net sales for the month and fixed monthly rate.

Rent expense related to these lease agreements amounted to ₱1,032,146,531, ₱673,566,162 and ₱515,939,520 in 2015, 2014 and 2013, respectively (see Note 19). Of the total rent expense, ₱13,755,474, ₱5,654,193 and ₱2,658,415 in 2015, 2014 and 2013, respectively, pertains to contingent rent of some stores based on percentage ranging from 1.5% to 3.0% of merchandise sales. Amortization of deferred lease amounted to ₱659,155, ₱545,297 and ₱627,081 in 2015, 2014 and 2013, respectively (see Note 10).

In 2015 and 2014, PSC entered into various long-term operating lease contracts for its warehouses in Pasig, Cebu, Iloilo, Pampanga and Davao. Rent expense for warehouse leases amounted to ₱69,926,319, ₱27,334,418 and ₱20,351,496 in 2015, 2014 and 2013, respectively (see Note 19). Amortization of deferred lease amounted to ₱4,300,379, ₱1,717,475 and ₱1,090,500 in 2015, 2014 and 2013, respectively (see Note 10).

The approximate annual future minimum rental payments of the PSC under its existing lease agreements as at December 31 are as follows:

	2015	2014
Within one year	₱117,061,815	₱95,046,540
After one year but not more than five years	490,265,267	331,550,503
More than five years	296,974,607	259,061,930
	₱904,301,689	₱685,658,973

- b. In 2012, CDI entered into a 2-year lease contract for the lease of a warehouse in Cebu commencing in April 2012 until April 2014. The lease has a renewal option and is subject to an annual escalation rate of 5%. Upon expiration in April 2014, CDI renewed the lease contract for another eight months from May to December 2014. On January 1, 2015, CDI again renewed the lease contract for one year from January to December 2015.

In 2011, CDI entered into a 10-year lease contract for the lease of its warehouse extension effective March 2011. The lease is subject to an annual escalation rate of 4.0% starting on the second year of the lease. The lease contract was transferred to PSC on January 1, 2014 and rent expenses for this lease agreement were recorded by PSC.

In 2005, CDI entered into a 15-year operating lease contract for the lease of its warehouse effective November 1, 2005. On June 30, 2007, PSC has assumed the lease agreement for the warehouse and subleased the warehouse back to CDI. The lease has a renewal option and is subject to an escalation rate of 7.0% every after two years starting on the third year of the lease. In February 2013, CDI transferred the lease contract to PSC and the sublease was terminated. Rent expense related to the lease agreement was recorded by PSC.

In 2015, CDI entered into a 10-year operating lease contract with a third party for the lease of its store commencing August 2015 until August 2025. The lease has a renewal option and is subject on an annual escalation rate of 5% starting on its third year of lease.

Rent expense related to these lease agreements amounted to ₱15,377,237, ₱1,288,305 and ₱12,260,201 in 2015, 2014 and 2013, respectively (see Note 19). Amortization of deferred lease amounted to ₱6,195, ₱14,864 and ₱693,032 in 2015, 2014 and 2013, respectively (see Note 10).

The approximate annual future minimum rental payments of CDI under its existing lease contract as at December 31 are as follows:

	2015	2014
Within one year	₱103,158	₱4,309,312
After one year but not more than five years	734,337	-
More than five years	1,131,190	-
	₱1,968,685	₱4,309,312

CDI also has other various short-term operating leases pertaining to rental of warehouse and equipment. Related rent expense amounted to ₱3,743,240, ₱14,705,135 and ₱5,240,182 in 2015, 2014 and 2013, respectively (see Note 19).

Operating Lease as Lessor

The Group has various sublease agreements with third parties which provide for lease rentals based on an agreed fixed monthly rate or as agreed upon by the parties. Rental income related to these sublease agreements amounted to ₱56,729,444, ₱51,118,568 and ₱48,341,871 in 2015, 2014 and 2013, respectively.

27. Income Tax

- a. The components of the Group's provision for income tax are as follows:

	2015	2014	2013
Current:			
Regular corporate income tax	₱461,117,879	₱403,038,636	₱308,105,233
Final tax on interest income	698,401	272,737	838,382
	461,816,280	403,311,373	308,943,615
Deferred	(9,960,769)	(21,387,531)	(8,141,501)
	₱451,855,511	₱381,923,842	₱300,802,114

b. The components of the Group's net deferred income tax assets are as follows:

	2015			
	PSC	CDI	SSHI	Total
Deferred income tax assets:				
Net retirement obligations	P28,142,889	P2,118,299	P-	P30,261,188
Accrued rent	22,684,932	-	-	22,684,932
Deferred revenue on customer loyalty programme	13,088,409	-	-	13,088,409
Unamortized discount on refundable deposits	8,264,857	41,921	-	8,306,778
Deferred revenue on exclusivity contracts	7,500,000	-	-	7,500,000
Allowance for impairment on receivables	7,330,619	-	-	7,330,619
Provision for litigation losses	4,909,523	1,906,133	-	6,815,656
Unamortized past service cost	5,946,865	419,532	-	6,366,397
Unearned rent income	334,903	-	-	334,903
Unrealized foreign exchange loss	-	4,748	-	4,748
	98,202,997	4,490,633	-	102,693,630
Deferred income tax liabilities:				
Deferred lease expense	6,743,350	41,272	-	6,784,622
Unamortized premium on refundable deposits	190,877	-	-	190,877
Unrealized foreign exchange gain	11,639	-	-	11,639
Revaluation increment on land	-	-	7,936,841	7,936,841
	6,945,866	41,272	7,936,841	14,923,979
Net deferred income tax assets (liability)	P91,257,131	P4,449,361	(P7,936,841)	P87,769,651

	2014			
	PSC	CDI	SSHI	Total
Deferred income tax assets:				
Net retirement obligations	P28,030,396	P2,090,826	P-	P30,121,222
Accrued rent	19,385,001	333,721	-	19,718,722
Deferred revenue on customer loyalty programme	5,452,105	-	-	5,452,105
Unamortized discount on refundable deposits	8,680,272	-	-	8,680,272
Deferred revenue on exclusivity contracts	15,000,000	-	-	15,000,000
Allowance for impairment on receivables	5,688,055	-	-	5,688,055
Provision for litigation losses	709,523	1,991,335	-	2,700,858
Unamortized past service cost	6,904,279	485,921	-	7,390,200
Unearned rent income	254,885	-	-	254,885
Unrealized foreign exchange loss	-	2,372	-	2,372
Deferred lease	90,104,516	4,904,175	-	95,008,691
Deferred income tax liabilities:				
Deferred lease expense	7,595,017	-	-	7,595,017
Unamortized premium on refundable deposits	229,032	-	-	229,032
Unrealized foreign exchange gain	9,634	-	-	9,634
Revaluation increment on land	-	-	7,936,841	7,936,841
	7,833,683	-	7,936,841	15,770,524
Net deferred income tax assets (liability)	P82,270,833	P4,904,175	(P7,936,841)	P79,238,167

The net deferred tax assets and liabilities are presented in the consolidated balance sheets as follows:

	2015	2014
Deferred tax assets	₱95,706,492	₱87,175,008
Deferred tax liabilities	(7,936,841)	(7,936,841)
	₱87,769,651	₱79,238,167

- c. The reconciliation of the provision for income tax computed at the statutory income tax rate to provision for income tax shown in the consolidated statements of comprehensive income follow:

	2015	2014	2013
Provision for income tax computed at statutory income tax rate	₱437,955,600	₱376,580,609	₱295,028,929
Adjustments for:			
Nondeductible expenses:			
Inventory losses	11,391,719	4,608,692	3,768,545
Interest expense and others	2,895,906	1,263,705	2,446,834
Tax effect of rate difference between final tax and statutory tax rate on bank interest income	(349,560)	(491,010)	(404,040)
Nontaxable other income	(38,154)	(38,154)	(38,154)
	₱451,855,511	₱381,923,842	₱300,802,114

- d. Republic Act No. 9504, effective on July 7, 2008, allows availment of optional standard deductions (OSD). Corporations, except for nonresident foreign corporations, may now elect to claim standard deduction in an amount not exceeding 40% of their gross income. The Group did not avail of the OSD for the computation of its taxable income in 2015, 2014 and 2013.

28. Basic/Diluted Earnings Per Share

	2015	2014	2013
a. Net income	₱1,007,996,490	₱873,344,855	₱682,627,649
b. Weighted average number of shares issued	459,121,573	459,121,573	459,121,573
c. Less weighted average number of shares held in treasury	686,250	686,250	686,250
d. Weighted average number of shares outstanding (b-c)	458,435,323	458,435,323	458,435,323
e. Basic/diluted earnings per share (a/d)	₱2.20	₱1.91	₱1.49

The Group does not have potentially dilutive common shares as at December 31, 2015, 2014 and 2013. Thus, the basic earnings per share is equal to the diluted earnings per share as at those dates.

29. Financial Instruments

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

	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets				
<i>Loans and Receivables</i>				
Deposits -				
Refundable (Notes 9 and 30)	₱85,525,747	₱110,539,716	₱75,964,346	₱80,515,547

Refundable deposits are categorized under level 3 in the fair value hierarchy.

Fair Value Information

Current Financial Assets and Financial Liabilities

Due to the short-term nature of the related transactions, the fair values of cash, short-term investment, receivables, accounts payable and accrued expenses and other current liabilities approximates their carrying values as at balance sheet date.

Utility and Other Deposits

The fair value of utility and other deposits approximates its carrying value as it earns interest based on repriced market conditions.

Refundable Deposits

The fair value of refundable deposits is determined by discounting the sum of future cash flows using the prevailing market rates for instruments with similar maturities as at December 31, 2015 and 2014 ranging from 2.58% to 4.74% and 2.55% to 4.76%, respectively.

Bank Loans

The carrying value of bank loans approximates fair value because of recent and monthly repricing of related interest based on market conditions.

Long-term Debt

The carrying value of long-term debt approximates the fair value because of recent and quarterly repricing of related interest based on market conditions.

Cumulative Redeemable Preferred Shares

The carrying value of cumulative redeemable preferred shares approximates fair value because corresponding dividends on these shares that are charged as interest expense in profit or loss are based on recent treasury bill rates repriced annually at year end.

As at December 31, 2015 and 2014, the Group has no financial instruments measured at fair value.

30. Financial Risk Management Objectives and Policies

The main risks arising from the Group's financial instruments are credit risk, liquidity risk, interest rate risk and foreign exchange risk. The BOD reviews and approves policies for managing each of these risks. The BOD also created a separate board-level entity, which is the Audit Committee, with explicit authority and responsibility in managing and monitoring risks. The Audit Committee, which ensures the integrity of internal control activities throughout the Group, develops, oversees, checks and pre-approves financial management functions and systems in the areas of credit, market, liquidity, operational, legal and other risks of the Group, and crisis management. The Internal Audit Department and the External Auditor directly report to the Audit Committee regarding the direction, scope and coordination of audit and any related activities.

Listed below are the summarized risks identified by the BOD.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The receivable balances are monitored on an ongoing basis with the result that the Group's exposure to impairment is managed to a not significant level. The Group deals only with counterparty duly approved by the BOD.

The following tables provide information regarding the maximum credit risk exposure of the Group as at December 31:

	2015	2014
Cash in bank	₱586,341,649	₱1,067,252,100
Short-term investment	10,983,401	10,884,130
Receivables		
Suppliers	387,627,637	143,596,222
Franchisees	329,115,208	402,860,061
Employees	29,849,687	16,666,383
Due from PFI	4,088,483	3,525,452
Lease receivable	3,747,773	3,742,000
Store operators	3,617,404	11,682,630
Insurance receivable	1,192,091	1,155,417
Notes receivable	990,917	990,917
Rent	-	3,089,725
Others	7,030,373	2,078,334
	767,259,573	589,387,141
Deposits		
Refundable*	89,314,702	77,222,633
Utilities	69,522,572	53,374,427
Others	7,479,457	6,551,174
	166,316,731	137,148,234
Other noncurrent assets		
Noncurrent portion of receivable from franchisees	36,836,593	48,675,044
	₱1,567,737,947	₱1,853,346,649

*Current portion amounting to ₱3,788,955 and ₱1,258,287 as at December 31, 2015 and 2014, respectively, are presented as part of "Others" under "Prepayments and other current assets" account.

The following tables provide information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of debtors:

2015				
	Neither Past Due nor Impaired		Past Due Or Impaired	Total
	High Grade	Standard Grade		
Cash in bank	₱586,341,649	₱-	₱-	₱586,341,649
Short-term investment	10,983,401	-	-	10,983,401
Receivables				
Suppliers	-	289,836,808	119,099,073	408,935,881
Franchisees	-	329,115,208	214,342	329,329,550
Employees	-	29,849,687	539,921	30,389,608
Due from PFI	-	4,088,483	-	4,088,483
Store operators	-	3,617,404	365,801	3,983,205
Lease receivable	-	3,747,773	-	3,747,773
Rent	-	-	2,007,087	2,007,087
Insurance receivable	-	1,192,091	-	1,192,091
Notes receivable	-	990,917	-	990,917
Others	-	7,030,373	-	7,030,373
	-	669,468,744	122,226,224	791,694,968
Deposits				
Refundable*	-	89,314,702	-	89,314,702
Utilities	-	69,522,572	-	69,522,572
Others	-	7,479,457	-	7,479,457
	-	166,316,731	-	166,316,731
Other noncurrent assets				
Noncurrent portion of receivable from franchisees	-	36,836,593	-	36,836,593
	₱597,325,050	₱872,622,068	₱122,226,224	₱1,592,173,342

*Current portion amounting to ₱3,788,955 as at December 31, 2015 is presented as part of "Others" under "Prepayments and other current assets" account.

2014				
	Neither Past Due nor Impaired		Past Due Or Impaired	Total
	High Grade	Standard Grade		
Cash in bank	₱1,067,252,100	₱-	₱-	₱1,067,252,100
Short-term investment	10,884,130	-	-	10,884,130
Receivables				
Suppliers	-	120,628,776	38,533,380	159,162,156
Franchisees	-	402,860,061	214,342	403,074,403
Employees	-	16,666,383	539,921	17,206,304
Due from PFI	-	3,525,452	-	3,525,452
Store operators	-	11,682,630	365,801	12,048,431
Lease receivable	-	3,742,000	-	3,742,000
Rent	-	3,089,725	2,274,184	5,363,909
Insurance receivable	-	1,155,417	-	1,155,417
Notes receivable	-	990,917	-	990,917
Others	-	2,078,334	-	2,078,334
	-	566,419,695	41,927,628	608,347,323
Deposits				
Refundable*	-	77,222,633	-	77,222,633
Utilities	-	53,374,427	-	53,374,427
Others	-	6,551,174	-	6,551,174
	-	137,148,234	-	137,148,234
Other noncurrent assets				
Noncurrent portion of receivable from franchisees	-	48,675,044	-	48,675,044
	₱1,078,136,230	₱752,242,973	₱41,927,628	₱1,872,306,831

*Current portion amounting to ₱1,258,287 as at December 31, 2014 is presented as part of "Others" under "Prepayments and other current assets" account

The Group uses the following criteria to rate credit quality:

Class	Description
High Grade	Financial assets that have a recognized foreign or local third party rating or instruments which carry guaranty/collateral.
Standard Grade	Financial assets of companies that have the apparent ability to satisfy its obligations in full.

The credit qualities of the financial assets were determined as follows:

Cash in banks and short-term investment are classified as high grade, since these are deposited or transacted with reputable banks which have low probability of insolvency.

Receivables, deposits and other noncurrent assets are classified as standard grade, since these pertain to receivables considered as unsecured from third parties with good paying habits. The following tables provide the analysis of financial assets that are past due but not impaired and past due and impaired:

	2015				Past due and Impaired	Total
	Aging analysis of financial assets past due but not impaired					
	31 to 60 days	61 to 90 days	> 90 days	Total		
Receivables:						
Suppliers	P29,220,847	P17,985,547	P50,584,435	P97,790,829	P21,308,244	P119,099,073
Franchisees	-	-	-	-	214,342	214,342
Employees	-	-	-	-	539,921	539,921
Store operators	-	-	-	-	365,801	365,801
Rent	-	-	-	-	2,007,087	2,007,087
	P29,220,847	P17,985,547	P50,584,435	P97,790,829	P24,435,395	P122,226,224

	2014				Past due and Impaired	Total
	Aging analysis of financial assets past due but not impaired					
	31 to 60 days	61 to 90 days	> 90 days	Total		
Receivables:						
Suppliers	P995,763	P4,689,937	P17,281,746	P22,967,446	P15,565,934	P38,533,380
Franchisees	-	-	-	-	214,342	214,342
Employees	-	-	-	-	539,921	539,921
Store operators	-	-	-	-	365,801	365,801
Rent	-	-	-	-	2,274,184	2,274,184
	P995,763	P4,689,937	P17,281,746	P22,967,446	P18,960,182	P41,927,628

Receivables from suppliers are noninterest-bearing and are generally on 30 to 90 day terms.

There are no significant concentrations of credit risk within the Group.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial instruments. The Group seeks to manage its liquidity profile to be able to finance its capital expenditures and service its maturing debts. To cover for its financing requirements, the Group intends to use internally generated funds and sales of certain assets.

As part of its liquidity risk management program, the Group regularly evaluates projected and actual cash flow information and continuously assesses conditions in the financial markets for opportunities to pursue fund raising initiatives. The Group uses historical figures and experiences and forecasts of collections and disbursements. These initiatives may include drawing of loans from the approved credit line intended for working capital and capital expenditures purposes and equity market issues.

The tables below summarize the maturity profile of the financial assets of the Group:

	2015				Total
	Three months or less	More than three months to one year	More than one year to five years	More than five years	
Cash					
Cash on hand and in banks	₱875,978,073	₱-	₱-	₱-	₱875,978,073
Short-term investment	10,983,401	-	-	-	10,983,401
Receivables					
Suppliers	289,836,808	91,222,870	6,567,959	-	387,627,637
Franchisees	329,115,208	-	-	-	329,115,208
Employees	29,849,687	-	-	-	29,849,687
Due from PFI	4,088,483	-	-	-	4,088,483
Lease receivable	-	3,747,773	-	-	3,747,773
Store operators	3,617,404	-	-	-	3,617,404
Insurance receivable	-	1,192,091	-	-	1,192,091
Notes receivable	990,917	-	-	-	990,917
Rent	-	-	-	-	-
Others	7,030,373	-	-	-	7,030,373
	664,528,880	96,162,734	6,567,959	-	767,259,573
Deposits					
Refundable*	-	-	89,314,702	-	89,314,702
Utilities	-	-	69,522,572	-	69,522,572
Others	-	-	7,479,457	-	7,479,457
	-	-	166,316,731	-	166,316,731
Other noncurrent assets					
Noncurrent portion of receivable from franchisees	-	-	36,836,593	-	36,836,593
	₱1,551,490,354	₱96,162,734	₱209,721,283	₱-	₱1,857,374,371

*Current portion amounting to ₱3,788,955 as at December 31, 2015 is presented as part of "Others" under "Prepayments and other current assets" account.

	2014				Total
	Three months or less	More than three months to one year	More than one year to five years	More than five years	
Cash					
Cash on hand and in banks	₱1,241,685,743	₱-	₱-	₱-	₱1,241,685,743
Short-term investment	10,884,130	-	-	-	10,884,130
Receivables					
Suppliers	120,628,776	22,967,446	-	-	143,596,222
Franchisees	402,860,061	-	-	-	402,860,061
Employees	16,666,383	-	-	-	16,666,383
Due from PFI	3,525,452	-	-	-	3,525,452
Lease receivable	3,442,000	300,000	-	-	3,742,000
Store operators	11,682,630	-	-	-	11,682,630
Insurance receivable	-	1,155,417	-	-	1,155,417
Notes receivable	990,917	-	-	-	990,917
Rent	3,089,725	-	-	-	3,089,725
Others	2,078,334	-	-	-	2,078,334
	564,964,278	24,422,863	-	-	589,387,141
Deposits					
Refundable*	-	-	10,395,653	66,826,980	77,222,633
Utilities	-	-	53,374,427	-	53,374,427
Others	-	-	6,551,174	-	6,551,174
	-	-	70,321,254	66,826,980	137,148,234
Other noncurrent assets					
Noncurrent portion of receivable from franchisees	-	-	48,675,044	-	48,675,044
	₱1,817,534,151	₱24,422,863	₱118,996,298	₱66,826,980	₱2,027,780,292

*Current portion amounting to ₱1,258,287 as at December 31, 2014 is presented as part of "Others" under "Prepayments and other current assets" account.

The tables below summarize the maturity profile of the financial liabilities of the Group based on remaining undiscounted contractual obligations:

	2015			Total
	Three months or less	More than three months to one year	More than one year	
Bank loans	₱1,150,000,000	₱-	₱-	₱1,150,000,000
Accounts payable and accrued expenses				
Trade payable	1,826,297,820	-	-	1,826,297,820
Employee benefits	105,085,550	-	-	105,085,550
Utilities	96,576,822	-	-	96,576,822
Rent	75,616,440	-	-	75,616,440
Outsourced services	64,035,623	-	-	64,035,623
Repairs and maintenance	44,187,134	-	-	44,187,134
Bank charges	25,180,700	-	-	25,180,700
Security services	20,713,819	-	-	20,713,819
Advertising and promotion	2,846,192	-	-	2,846,192
Interest	2,011,954	-	-	2,011,954
Others	103,569,342	-	-	103,569,342
	2,366,121,396	-	-	2,366,121,396
Other current liabilities				
Non-trade accounts payable	112,844,925	630,894,246	-	743,739,171
Retention payable	-	113,676,477	-	113,676,477
Royalty	24,323,677	-	-	24,323,677
Due to franchisees	18,341,605	-	-	18,341,605
Service fees payable	-	1,456,938	-	1,456,938
Others	-	57,553,594	-	57,553,594
	155,510,207	803,581,255	-	959,091,462
Long-term debt	4,500,000	13,500,000	63,000,000	81,000,000
Cumulative redeemable preferred shares	6,000,000	-	-	6,000,000
	₱3,682,131,603	₱817,081,255	₱63,000,000	₱4,562,212,858

	2014			Total
	Three months or less	More than three months to one year	More than one year	
Bank loans	₱650,000,000	₱100,000,000	₱-	₱750,000,000
Accounts payable and accrued expenses				
Trade payable	2,031,839,981	-	-	2,031,839,981
Employee benefits	71,421,033	-	-	71,421,033
Utilities	90,223,127	-	-	90,223,127
Rent	65,729,071	-	-	65,729,071
Outsourced services	41,302,057	-	-	41,302,057
Repairs and maintenance	20,436,412	-	-	20,436,412
Bank charges	14,254,500	-	-	14,254,500
Security services	9,112,687	-	-	9,112,687
Advertising and promotion	41,339,695	-	-	41,339,695
Interest	1,058,750	-	-	1,058,750
Others	58,443,400	-	-	58,443,400
	2,445,160,713	-	-	2,445,160,713
Other current liabilities				
Non-trade accounts payable	41,686,571	368,824,806	-	410,511,377
Retention payable	-	81,784,397	-	81,784,397
Royalty	19,330,605	-	-	19,330,605
Due to franchisees	128,356,232	-	-	128,356,232
Service fees payable	-	8,012,505	-	8,012,505
Others	-	44,601,544	-	44,601,544
	189,373,408	503,223,252	-	692,596,660
Cumulative redeemable preferred shares	6,000,000	-	-	6,000,000
	₱3,290,534,121	₱603,223,252	₱-	₱3,893,757,373

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's fair value and cash flows interest rate risk mainly arise from bank loans and long-term debt with floating interest rates. The Group is expecting to substantially reduce the level of bank loans and long-term debt over time. Internally generated funds coming from its cash generating units and from its franchising business will be used to pay off outstanding debts and consequently reduce the interest rate exposure.

The maturity profile of financial instruments that are exposed to interest rate risk are as follows:

	2015	2014
Due in less than one year	₱1,237,000,000	₱756,000,000
Rate	1.90%-3.22%	2.00%-2.50%

Interest of financial instruments classified as floating rate is repriced at intervals of 30 days. The other financial instruments of the Group that are not included in the above tables are noninterest-bearing and are therefore not subject to interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before income tax (through the impact on floating rate borrowings):

	2015		2014	
	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax	Increase/ Decrease in Basis Points	Effect on Income Before Income Tax
Bank loans and long-term debt - floating interest rate	+100 -100	(₱12,310,000) 12,310,000	+100 -100	(₱7,500,000) 7,500,000
Cumulative redeemable preferred shares - floating interest rate	+100 -100	(60,000) 60,000	+100 -100	(60,000) 60,000

There is no other impact on the Group's equity other than those already affecting profit or loss.

Foreign Exchange Risk

Foreign exchange risk is the risk to earnings or capital arising from changes in foreign exchange rates. The Group's foreign exchange exposure arises from holding foreign currency-denominated rates, cash and loans and receivables. In order to balance this exposure, the Group maintains a foreign currency accounts in a reputable commercial bank. The Group does not enter into derivatives to hedge the exposure. The Group's cash and receivables denominated in foreign currency and converted into Peso using the closing exchange rates at each balance sheet date are summarized below.

	2015		2014	
	U.S. Dollar	Peso	U.S. Dollar	Peso
Cash in banks	\$30,537	₱1,437,071	\$59,635	₱2,666,877

As at December 31, 2015 and 2014, the closing functional currency exchange rate is ₱47.06 and ₱44.72 to U.S. \$1, respectively.

The following table represents the impact on the Group's income before income tax brought about by reasonably possible changes in Peso to U.S. Dollar exchange rate (holding all other variables constant) as at December 31, 2015 and 2014 until its next financial reporting date:

	Change in Peso to Dollar Exchange Rate	Effect on Income before Income Tax
2015	Increase by 5.23%	₱75,159
	Decrease by 5.23%	(75,159)
2014	Increase by 0.72%	₱19,201
	Decrease by 0.72%	(19,201)

There is no other effect on the Group's equity other than those already affecting profit or loss.

31. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In the light of changes in economic conditions, the Group manages dividend payments to shareholders, pay-off existing debts, return capital to shareholders or issue new shares. The Group mainly uses financing from local banks. The Group considers equity attributable to shareholders as capital. The Group manages its capital structure by keeping a networth of between 30% to 50% in relation to its total assets. The Group's net worth ratio is 43% and 42% as at December 31, 2015 and 2014, respectively. No changes were made in the objectives, policies and processes during the year.

	2015	2014
Common stock	₱459,121,573	₱459,121,573
Additional paid-in capital	293,525,037	293,525,037
Retained earnings	3,370,957,924	2,546,335,563
	4,123,604,534	3,298,982,173
Less cost of shares held in treasury	2,923,246	2,923,246
	₱4,120,681,288	₱3,296,058,927
Total assets	₱9,515,935,215	₱7,890,241,867
Net worth	43%	42%

As at December 31, 2015 and 2014, the Group was able to meet its objective.

32. Significant Agreements

a. Franchise Agreements

The Group has various store franchise agreements with third parties for the operation of certain stores. The agreement includes a one-time franchise fee payment and an annual 7-Eleven charge for the franchisee, which is equal to a certain percentage of the franchised

store's gross profit. The agreement also includes charging of various expenses such as rent and utilities which are recorded by the Group as part of its franchise revenue. Details follow:

	2015	2014	2013
Share in gross profit of franchisees	₱1,801,990,190	₱1,534,585,425	₱1,265,753,174
Rent, utilities and other expenses	528,220,809	173,106,784	93,403,498
Franchise fee	110,460,361	113,004,538	101,500,115
	₱2,440,671,360	₱1,820,696,747	₱1,460,656,787

Receivable from franchisees as at December 31, 2015 and 2014 amounted to ₱366,166,143 and ₱451,749,447, respectively (see Notes 5 and 10). Due to franchisees as at December 31, 2015 and 2014 amounted to ₱18,341,605 and ₱128,356,232, respectively (see Note 13). The Company also has outstanding deposits payable to franchisees amounting to ₱128,226,587 and ₱124,767,926 as at December 31, 2015 and 2014, respectively (see Note 14).

b. Service Agreements

The Group has service agreements with third party contractors for the operation of certain stores. In consideration thereof, the store operator is entitled to a service fee based on a certain percentage of the store's gross profit and operating expenses as stipulated in the service agreement. Service fees included in "Outside services" under "General and administrative expenses" account amounted to ₱100,469,185 in 2015, ₱103,989,092 in 2014 and ₱140,848,888 in 2013 (see Note 19). The Group also has outstanding deposits payable to third parties in relation to service agreements amounting to ₱94,282,022 and ₱95,268,832 as at December 31, 2015 and 2014, respectively (see Note 14).

c. Commission Income

The Group has entered into agreements with a phone card supplier and various third parties. Under the arrangements, the Group earns commission on the sale of phone cards, consigned goods and collection of bills payments based on a certain percentage of net sales and collections for the month and a fixed monthly rate. Commission income amounted to ₱46,919,684, ₱39,214,967 and ₱43,402,035 in 2015, 2014 and 2013, respectively.

d. 2014 Exclusivity Contract

In 2014, the Group has entered into a 3-year exclusivity contract with a third party ice cream distributor in the Philippines effective January 2014 to December 2016. The contract indicates that the third party ice cream distributor will exclusively supply all ice cream products of 7-Eleven stores. The Group received a one-time signing bonus amounting to ₱75,000,000 upon the effectivity of the exclusivity supply contract amortized over three years. Income from exclusivity contract included as part of "Marketing support funds" under "Marketing income" in consolidated statements of comprehensive income amounted to ₱25,000,000 in 2015 and 2014 (see Note 20). Deferred revenue as at December 31, 2015 and 2014 amounted to ₱25,000,000 and ₱50,000,000, respectively (see Notes 13 and 16).

e. 2010 Exclusivity Contract

The Group has entered into a 3-year exclusivity contract with a third party soda manufacturer in the Philippines effective April 2010 to March 2013. The contract indicates the third party soda manufacturer will exclusively supply all slurpee products of 7-Eleven. The Group received a one-time signing bonus amounting to ₱4,464,286 upon the effectivity of the exclusivity supply contract amortized over three years. Income from exclusivity contract included as part of "Marketing support funds" under "Marketing income" in consolidated

statements of comprehensive income amounted to ₱372,023 in 2013 (see Note 20). Deferred revenue as at December 31, 2015 and 2014 amounted to nil.

f. 2010 Signing Bonus

In 2010, the Group collected a signing bonus amounting to ₱2,232,143 from one of the Group's food suppliers for awarding half of the Group's existing Hotdog Stock Keeping Units (SKUs) to the food supplier for the next five years starting January 1, 2010. Income from exclusivity contract included as part of "Marketing support funds" under "Marketing income" in consolidated statements of comprehensive income amounted to nil in 2015 and ₱446,429 both in 2014 and 2013 (see Note 20).

g. Memorandum of Agreement (MOA) with Chevron Philippines, Inc. (CPI)

The Group has entered into MOA with CPI on August 6, 2009, wherein CPI has granted the Group as authorized co-locator for a full term of three-years to establish operate and/or franchise its 7-Eleven stores in CPI service stations. Both parties have identified 22 CPI service stations, wherein the Group will give the Retailers of these service stations a Letter Offer to Franchise (LOF) 7-Eleven stores. Upon acceptance of the Retailers of the LOF, the Retailers will sign a Store Franchise Agreement (SFA) with the Group. If LOF is not accepted by one of the 22 original service stations identified, that service station will be replaced with another mutually acceptable service station site.

Upon signing of the MOA, CPI executed a Caltex Retail Agreement with each of the 22 service station Retailers, which shall have a full term of three years and which will be co-terminus with the SFA.

As at December 31, 2015 and 2014, the Group has already opened 50 and 35 franchised serviced stations, respectively.

h. Licensing Agreement with Seven Eleven, Inc. (SEI)

The Group executed a licensing agreement with SEI, a stockholder organized in Texas, U.S.A. This grants the Group the exclusive right to use the 7-Eleven System in the Philippines. In accordance with the agreement, the Group pays, among others, royalty fee to SEI based on a certain percentage of monthly gross sales, net of gross receipts tax. Royalty fee amounted to ₱256,390,436, ₱204,755,907 and ₱171,714,747 in 2015, 2014 and 2013, respectively (see Note 19). As at December 31, 2015 and 2014, royalty payable amounted to ₱24,323,677 and ₱19,330,605, respectively (see Note 13).

33. Segment Reporting

The Group considers the store operations as its only business segment based on its primary business activity. Franchising, renting of properties and commissioning on bills payment services are considered an integral part of the store operations. The Group's identified operating segments below are consistent with the segments reported to the BOD, which is the Chief Operating Decision Maker of the Group.

The products and services from which the store operations derive its revenues from are as follows:

- Merchandise sales
- Franchise revenue
- Marketing income
- Rental income
- Commission income
- Interest income

The aforementioned revenues are all revenues from external customers.

The segment's relevant financial information is as follows:

	2015	2014	2013
Revenue			
Revenue from merchandise sales	₱22,400,931,697	₱17,107,375,250	₱14,133,649,192
Franchise revenue	2,440,671,360	1,820,696,747	1,460,656,787
Marketing income	735,221,454	463,413,150	380,793,855
Rental income	56,729,444	51,118,568	48,341,871
Commission income	46,919,684	39,214,967	43,402,035
Interest income	7,025,256	5,741,549	7,165,804
Other income	186,834,492	180,124,459	121,482,564
	25,874,333,387	19,667,684,690	16,195,492,108
Expenses			
Cost of merchandise sales	16,891,590,340	12,861,596,475	10,661,629,518
General and administrative expenses:			
Depreciation and amortization	1,092,223,359	862,759,509	709,518,959
Others	6,371,365,506	4,653,614,327	3,810,866,107
Interest expense	33,991,623	16,195,818	16,247,890
Other expenses	25,310,558	18,249,864	13,799,871
	24,414,481,386	18,412,415,993	15,212,062,345
Income before income tax	1,459,852,001	1,255,268,697	983,429,763
Provision for income tax	451,855,511	381,923,842	300,802,114
Segment Profit	₱1,007,996,490	₱873,344,855	₱682,627,649
Segment Assets	₱9,515,935,215	₱7,890,241,867	₱6,026,097,213
Segment Liabilities	₱5,398,640,134	₱4,600,705,342	₱3,484,864,093
Capital Expenditure for the Year	₱2,287,816,904	₱1,653,573,106	₱1,179,270,533

34. Provisions and Contingencies

The Group is a party to various litigations and claims. All cases are in the normal course of business and are not deemed to be considered as material legal proceedings. Further, the cases are either pending in courts or under protest, the outcome of which are not presently determinable. Management and its legal counsel believe that the liability, if any, that may result from the outcome of these litigations and claims will not materially affect the Group's financial position or financial performance.

As at December 31, 2015 and 2014, the Group has provisions amounting to ₱22,718,853 and ₱8,718,853, respectively, and is reported as part of “Others” under “Accounts payable and accrued expenses” account in the consolidated balance sheets (see Note 12).

35. Note to Consolidated Statements of Cash Flows

The principal non-cash transaction of the Group under financing activities in 2013 pertains to the issuance of stock dividends (see Note 17).

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Index to the Consolidated Financial Statements and
Supplementary Schedules
December 31, 2015

- Schedule I: Supplementary schedule of retained earnings available for dividend declaration
- Schedule II: Supplementary schedule of all the effective standards and interpretations as at December 31, 2015
- Schedule III. Map of the relationships of the companies within the group
- Schedule IV: Financial soundness indicators
- Schedule V: Supplementary schedules required by paragraph 6D, Part II under SRC Rule 68, As Amended (2011)

PHILIPPINE SEVEN CORPORATION
Reconciliation of Retained Earnings
Available for Dividend Declaration
As at December 31, 2015

Unappropriated retained earnings as at December 31, 2014		₱2,438,872,350
Less: Deferred income tax assets		79,657,364
Treasury shares		2,923,246
<hr/>		
Unappropriated retained earnings, as adjusted, as at December 31, 2014		2,356,291,740
Net income during the year closed to retained earnings	938,134,754	
Less: Movement in deferred income tax assets	9,490,869	
<hr/>		
Net income actually earned during the year		928,643,885
Less: Appropriations during the year		2,450,000,000
Dividend declarations during the year		183,374,129
<hr/>		
Unappropriated retained earnings, as adjusted as at December 31, 2015		₱651,561,496

**Based on accretion of income per PAS 39 from 2005-2014.*

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
List of Philippine Financial Reporting Standards (PFRSs) and
Interpretations Effective as at December 31, 2015

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
PFRSs Practice Statement Management Commentary				✓
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate			✓
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Amendments to PFRS 1: Borrowing Costs			✓
	Amendment to PFRS 1: Meaning of Effective PFRSs			✓
PFRS 2	Share-based Payment			✓
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✓
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✓
	Amendment to PFRS 2: Definition of Vesting Condition			✓
PFRS 3 (Revised)	Business Combinations			✓
	Amendment to PFRS 3: Accounting for Contingent Consideration in a Business Combination			✓
	Amendment to PFRS 3: Scope Exceptions for Joint Arrangements			✓
PFRS 4	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✓
	Amendments to PFRS 5: Changes in Methods of Disposals*	Not Early Adopted		
PFRS 6	Exploration for and Evaluation of Mineral Resources			✓
PFRS 7	Financial Instruments: Disclosures	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures – Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Amendments to PFRS 7: Disclosures – Servicing Contracts*	Not Early Adopted		
	Amendments to PFRS 7: Applicability of the Amendments to PFRS 7 to Condensed Interim Financial Statements*	Not Early Adopted		
PFRS 8	Operating Segments	✓		
	Amendments to PFRS 8: Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets	✓		
PFRS 9	Financial Instruments *	Not Early Adopted		
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures*	Not Early Adopted		
	Amendments to PFRS 9: Hedge Accounting and Amendments to PFRS 9 and PAS 39 (2013 version)*	Not Early Adopted		
	Amendments to PFRS 9 (2014 version)*	Not Early Adopted		
PFRS 10	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations*	Not Early Adopted		
PFRS 12	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
PFRS 13	Fair Value Measurement	✓		
	Amendment to PFRS 13: Short-term Receivables and Payables	✓		
	Amendment to PFRS 13: Portfolio Exception	✓		
PFRS 14	Regulatory Deferral Accounts*	Not Early Adopted		
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Amendments to PAS 1: Clarification of the Requirements for Comparative Information	✓		
	Amendments to PAS 1: Disclosure Initiative*	Not Early Adopted		
PAS 2	Inventories	✓		
PAS 7	Statement of Cash Flows	✓		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
PAS 10	Events after the Reporting Period	✓		
PAS 11	Construction Contracts			✓
PAS 12	Income Taxes	✓		
	Amendment to PAS 12 – Deferred Tax: Recovery of Underlying Assets	✓		
PAS 16	Property, Plant and Equipment	✓		
	Amendments to PAS 16: Classification of servicing equipment			✓
	Amendment to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Depreciation/Amortization	✓		
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
PAS 17	Leases	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 18	Revenue	✓		
PAS 19	Employee Benefits	✓		
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contribution			✓
	Amendments to PAS 19: Regional Market Issue Regarding Discount Rate*	Not Early Adopted		
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Amendments to PAS 24: Key Management Personnel	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			✓
PAS 27	Consolidated and Separate Financial Statements	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements*	Not Early Adopted		
PAS 28	Investments in Associates			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Not Early Adopted		
	Amendments to PFRS 10 and PAS 28: Applying the Consolidation Exception*	Not Early Adopted		
PAS 29	Financial Reporting in Hyperinflationary Economies			✓
PAS 31	Interests in Joint Ventures			✓
PAS 32	Financial Instruments: Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 32: Tax Effect of Distribution to Holders of Equity Instruments	✓		
PAS 33	Earnings per Share	✓		
PAS 34	Interim Financial Reporting	✓		
	Amendments to PAS 34: Interim Financial Reporting and Segment Information for Total Assets and Liabilities	✓		
	Amendments to PAS 34: Disclosure of Information 'Elsewhere in the Interim Financial Report'*	Not Early Adopted		
PAS 36	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✓		
PAS 38	Intangible Assets	✓		
	Amendments to PAS 16 and PAS 38: Revaluation Method – Proportionate Restatement of Accumulated Amortization			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization*	Not Early Adopted		
PAS 39	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option	✓		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items			✓
	Amendments to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓
PAS 40	Investment Property			✓
	Amendments to PAS 40: Clarifying the Interrelationship between PFRS 3 and PAS 40 when Classifying Property as Investment Property or Owner-Occupied Property			✓

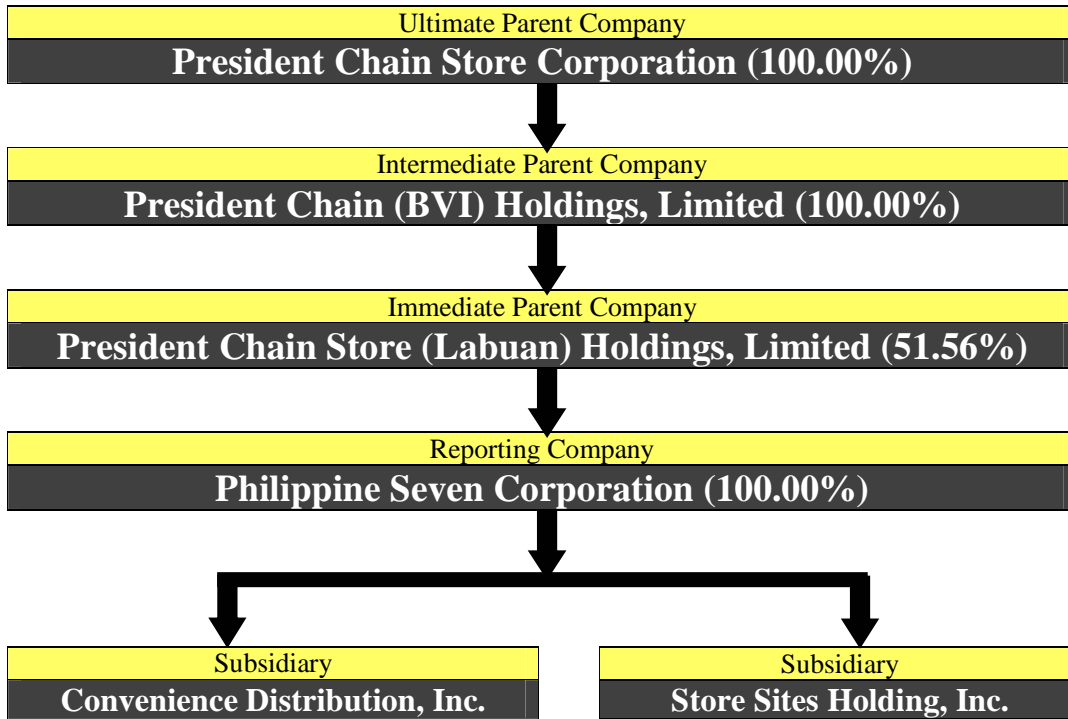
PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 41	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Bearer Plants*	Not Early Adopted		
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✓
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✓		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
IFRIC 8	Scope of PFRS 2			✓
IFRIC 9	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
IFRIC 10	Interim Financial Reporting and Impairment	✓		
IFRIC 11	PFRS 2 – Group and Treasury Share Transactions	✓		
IFRIC 12	Service Concession Arrangements			✓
IFRIC 13	Customer Loyalty Programmes	✓		
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	✓		
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement	✓		
IFRIC 15	Agreements for the Construction of Real Estate*	Not Early Adopted		
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✓
IFRIC 17	Distributions of Non-cash Assets to Owners			✓
IFRIC 18	Transfers of Assets from Customers			✓
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✓
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✓
IFRIC 21	Levies	✓		
SIC-7	Introduction of the Euro			✓
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✓
SIC-12	Consolidation - Special Purpose Entities			✓
	Amendment to SIC - 12: Scope of SIC 12			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as at December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			✓
SIC-15	Operating Leases – Incentives	✓		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		
SIC-29	Service Concession Arrangements: Disclosures			✓
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✓
SIC-32	Intangible Assets - Web Site Costs			✓

** Standards and interpretations which will become effective subsequent to December 31, 2015.*

Note: Standards and interpretations tagged as “Not Applicable” are those standards and interpretations which were adopted but the entity has no significant covered transaction as at and for the year ended December 31, 2015.

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Map of the Relationship of the Companies within the Group
December 31, 2015



PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Financial Soundness Indicators
December 31, 2015

Ratios	Formula	In Php	2015	2014
Current Ratio	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{3,648,770,471}{4,976,621,808}$	0.73	0.80
Debt-to-equity ratio	$\frac{\text{Total liabilities}}{\text{Total stockholders' equity}}$	$\frac{5,398,640,134}{4,117,295,081}$	1.31	1.40
Asset-to-equity ratio	$\frac{\text{Total assets}}{\text{Total stockholders' equity}}$	$\frac{9,515,935,215}{4,117,295,081}$	2.31	2.40
Interest rate coverage ratio	$\frac{\text{Earnings before interest and tax}}{\text{Interest expense}}$	$\frac{1,493,843,624}{33,991,623}$	43.95	78.51
Net income margin	$\frac{\text{Net income}}{\text{Revenue from merchandise sales}}$	$\frac{1,007,996,490}{22,400,931,697}$	4.50%	5.11%
Return on equity	$\frac{\text{Net income}}{\text{Ave. Total stockholders' equity}}$	$\frac{1,007,996,490}{(4,117,295,081 + 3,289,536,525)/2}$	27.22%	29.96%

PHILIPPINE SEVEN CORPORATION AND SUBSIDIARIES
Supplementary Schedules Required by Paragraph 6D, Part II
Under SRC Rule 68, As Amended (2011)
December 31, 2015

Schedule A. Financial Assets

Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotations at end of reporting period	Income received and accrued
Loans and Receivables				
Cash	N/A	₱875,978,073	N/A	₱3,385,138
Short-term investment	N/A	10,983,401	N/A	124,949
Receivables	N/A	767,259,573	N/A	5,773
Deposits	N/A	166,316,731	N/A	3,509,396
Other noncurrent assets	N/A	36,836,593	N/A	–
		₱1,857,374,371		₱7,025,256

Schedule B. Amounts of Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
AUDIT - Common	₱41,101	₱318	₱6,330	₱–	₱35,089	₱–	₱35,089
AUDIT – Inventory	48,384	327	2,578	–	28,370	17,763	46,133
BDD- Common	383,415	–	7,471	–	94,145	281,799	375,944
BDD - Const& Design	431,960	338,301	169,497	–	118,415	482,349	600,764
BDD - Fran							
Mktg&Plng	506,633	19,052	10,156	–	196,353	319,176	515,529
BDD - Site Acqui							
Central	65,574	421	5,441	–	60,554	–	60,554
BDD - Site Acqui							
North	416,041	2,936	13,414	–	142,317	263,246	405,563
BDD - Site Acqui							
South	307,000	2,166	13,409	–	90,939	204,818	295,757
FIN - Accounting	125,485	864	6,188	–	67,079	53,082	120,161
FIN – Common	441,667	–	–	–	73,242	368,425	441,667
FIN – FinlMngt	258,855	1,909	6,195	–	42,215	212,354	254,569
HRAD- Common	101,102	675	10,307	–	15,169	76,301	91,470
HRAD-ESD	129,496	944	4,540	–	20,878	105,022	125,900
HRAD -							
Administrative							
Services	283,142	1,877	3,597	–	46,668	234,754	281,422
HRAD - Labor							
Rel&Plang	115,054	885	3,921	–	18,576	93,442	112,018
MIS - Bus Systems	300,000	–	5,661	–	48,810	245,529	294,339
MIS - IT Support	422,414	175,000	10,728	–	97,290	489,396	586,686
MKTG - Common	897,523	5,017	21,378	–	204,134	677,028	881,162
LCSD - Corp Services	73,034	536	2,064	–	11,858	59,648	71,506

(Forward)

SCHEDULE IV
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Name and Designation of debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
MKTG – Food Service	₱343,305	₱2,009	₱21,560	₱–	₱53,688	₱270,066	₱323,754
MKTG - Food Cat	265,351	1,909	6,195	–	43,292	217,773	261,065
MKTG - Masterdata	416,732	2,908	9,808	–	67,963	341,869	409,832
MKTG - Non Food Cat	227,290	1,630	6,468	–	36,889	185,563	222,452
MKTG – Quality Assurance	77,813	566	2,889	–	29,268	46,222	75,490
MKTG - Brand Activation	125,136	918	3,613	–	20,305	102,136	122,441
MKTG - Brand Comm	125,136	918	3,613	–	20,305	102,136	122,441
MKTG - Services & PL	105,847	773	3,611	–	35,774	67,235	103,009
MKTG – Vault	250,146	1,816	6,168	–	100,611	145,183	245,794
MR - MINDANAO REGION	198,260	1,469	13,550	–	30,874	155,305	186,179
OPS – Central 1	195,835	1,433	6,192	–	59,967	131,109	191,076
OPS – Central 2	136,731	978	3,613	–	33,198	100,898	134,096
OPS - Common	883,757	5,060	45,018	–	139,927	703,872	843,799
OPS – East 1	288,359	2,124	7,227	–	46,972	236,284	283,257
OPS – East 2	293	300,107	–	–	49,815	250,585	300,400
OPS – North 1	94,363	686	3,611	–	36,859	54,579	91,438
OPS – North 2	111,461	815	3,612	–	35,243	73,421	108,664
OPS – North 3	13,836	107	3,692	–	10,251	–	10,251
OPS – North 4	154,958	1,127	7,220	–	76,783	72,082	148,864
OPS – South 1	258,196	888	11,181	–	118,440	129,463	247,903
OPS – South 2	124,099	918	3,613	–	33,951	87,453	121,404
OPS – South 3	192,202	1,400	7,222	–	69,725	116,655	186,380
OPS - West 1	231,280	1,677	6,194	–	56,911	169,852	226,763
OPS – West 2	72,039	534	6,185	–	66,388	–	66,388
OPS - Zone 1	353,987	1,591	7,697	–	57,689	290,192	347,881
OPS - Zone 2	223,846	1,768	6,318	–	36,366	182,930	219,296
OTP - Corp Planning	98,332	705	5,046	–	54,701	39,290	93,991
PRD – Common	122,953	231	–	–	123,184	–	123,184
VR – CEBU Regional Office	535,724	937	22,401	–	110,031	404,229	514,260
VR - BDD	460,622	3,385	12,717	–	74,837	376,453	451,290
Various Employees Loan	4,841,193	1,573,928	1,907,543	–	4,507,578	–	4,507,578
TOTAL	₱16,876,962	₱2,466,543	₱2,456,652	₱–	₱7,649,886	₱9,236,967	₱16,886,853

Schedule C. Amounts of Receivable from Related Parties which are eliminated during the consolidation of financial statements

Name and Designation of Debtor	Balance of Beginning of Period	Additions	Amounts collected	Amounts Written off	Current	Non Current	Balance at end of period
CONVENIENCE DISTRIBUTION, INC. - Subsidiary	₱6,929,578	₱6,090,189	₱6,929,578	₱-	₱6,090,189	₱-	₱6,090,189
STORE SITES HOLDINGS, INC. - Subsidiary	513,363	927,731	-	-	1,441,094	-	1,441,094

Schedule D. Intangible Assets - Other Assets

Description	Beginning balance	Additions at cost	Charged to cost and expenses	Charged to other accounts	Other Charges additions (deductions)	Ending balance
Software & Program Cost	₱3,477,680	₱-	₱878,003	₱-	(₱75,000)	₱2,524,677
Goodwill	65,567,524	-	-	-	-	65,567,524

Schedule E. Long Term Debt

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption " Long Term Debt" in related balance sheet"
Philippine peso denominated long-term debt	₱81,000,000	₱18,000,000	₱63,000,000

Schedule F. Indebtedness to Related Parties (Long-Term Loans from Related Companies)

	Balance at beginning of period	Balance at end of period
NONE	-	-

Schedule G. Guarantees of Securities of Other Issuers

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of Guarantee
NONE	-	-	-	-

Schedule H. Capital Stock

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding as shown under related balance sheet caption	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by related parties	Directors, officers and employees	Others
COMMON STOCK	600,000,000	458,435,323	–	236,376,070	20,954,856	201,104,397