

Cosco Capital, Inc.
No. 900 Romualdez St., Paco, Manila

14 August 2013

Securities and Exchange Commission
SEC Building, Greenhills, Mandaluyong City
Metro Manila

Attention: **Justina F. Callangan**
Director, Corporation Finance Department

Joy Cabasis
Examiner, Corporation Finance Department

Philippine Stock Exchange
Ayala Tower, Ayala Avenue, Makati City
Metro Manila

Attention: **Janet Encarnacion**
Head, Disclosure Department

RE: 2nd Quarter Financial Performance of COSCO CAPITAL, INC.


GENTLEMEN:

In a meeting held today, Cosco Capital, Inc. has approved its 2nd Quarter Financial Statement (SEC FORM 17-Q) for the year 2013.

Attached hereof is the copy of the said SEC Form 17-Q.

Thank you.

Very truly yours,


Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2013 2nd Quarter Report

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION
CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended : June 30, 2013
2. Commission identification number: 147669
3. BIR Tax Identification No. : 000-432-378
4. Exact name of registrant as specified in its charter:
- COSCO CAPITAL, INC.**
(Formerly Alcorn Gold Resources Corporation)
5. Province, country or other jurisdiction of incorporation or organization:
- Republic of the Philippines
6. Industry Classification Code: (SEC Use Only)
7. Address of registrant's principal office:
- 2nd Floor Tabacalera Bldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007
8. Registrant's telephone number, including area code:
- (632) 524-9236 or 38
9. Former name, former address and former fiscal year, if changed since last report:
- ALCORN GOLD RESOURCES, CORPORATION
10. Securities registered pursuant to Sections 4 and 8 of the RSA:

Title of Class	Number of Shares of Common Stock Outstanding with P1.00 par value (Listed & Not Listed)
Common	7,405,263,564

11. Are any or all of the securities listed on the Philippine Stock Exchange?

Yes No

The 5,687,406,421 common shares of stock of the company are listed in Philippine Stock Exchange (PSE).

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder or Sections 11 of the RSA and RSA Rule 11(a)-1, and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding 12 months (or for such shorter period the registrant was required to file such reports)

Yes No

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

Yes No

PART I--FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and, if applicable, Pro-Forma Financial Statements meeting the requirements of SRC Rule 68 and 68.1, Form and Content of Financial Statements, shall be furnished as specified therein.

1. Please see attached **SECTION A** for the interim consolidated financial statements
2. Please see attached **SECTION B** for supplemental information preseting the pro-forma interim statements of financial position, income statements and segment reporting

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

Top 5 Key Performance Indicators

The management considers the following as key performance indicators of the Company:

- Return on Investment (ROI) (Net Income / Ave. Stockholders' Equity), measures the profitability of stockholders' investment.
- Profit Margin (Net Income / Net Revenue), measures the net income produced for each peso of sales.
- Current Ratio (Current Asset / Current Liabilities), measures the short-term debt-paying ability of the Company.
- Asset Turnover (Net Revenue / Ave. Total Assets), measures how efficiently assets are used to generate revenues.
- Debt to Equity Ratio (Liabilities / Shareholders Equity), measure of a company's financial leverage

The following table shows the Top 5 key performance indicators for the past three interim periods:

Performance Indicators	2013	2012	2011
ROI	6.51%	0.15%	-0.004%
Profit margin	5.03%	56.67%	n/a
Current ratio	2:1	679:1	234:1
Asset turnover	2x	0.003x	n/a
Debt/equity ratio	14.81%	0% Debt free	0% Debt free

I. RESULTS OF OPERATION

On April 12, 2013, Lucio L. Co Group and Alcorn Gold Resources Corporation (now Cosco Capital Corp.) executed a Deed of Assignment in Payment for the Subscription wherein the Lucio L. Co Group shall subscribe to the unissued unauthorized capital stock of the Company from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,406,421 new shares at an aggregate subscription price of P74,811,096,315 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.

The aforementioned document had a closing condition that the issuance of the new shares of 4,987,406,421 shall be made immediately upon the occurrence of all of the following conditions, without need of any further consent or action:

- (a) Approval by the Securities and Exchange Commission of the Amendments;
- (b) Approval of the Philippine Stock Exchange ("PSE") of the listing of the SWAP Shares; and
- (c) Arrival of the Listing Date of the Swap Shares, such date to be agreed upon with the PSE.

For purpose of this Deed, Listing Date of the Swap Shares shall mean the day that the Swap Share are listed in, and can commence trading at the PSE.

As the above transaction is effective as of May 31, 2013 or the date of the listing as provided in the Subscription Agreement dated April 12, 2013, the company as a conglomerate with a consolidation of the results of operations from 12 companies took effect only on June 1, 2013. As such the table below and the review of operations shows Cosco as a mining company in January to May 2013 and as a conglomerate in June 2013.

On the same date, 1,142,857,143 shares were subscribed and issued to Lucio Co group for P10.50 per share for total consideration of P12,000,000,001 which shares were sold to new investors in a primary placement offer.

Comparison of results of operations between June 30, 2013 vs. June 30, 2012

Table 1: Consolidated Income Statements

Does not include information for subsidiaries acquired in May 2013

<i>(In millions)</i>	2013	2012	Fluctuation	% of fluctuation
REVENUES	6,257	3	6,254	249965%
COST OF SALES <i>(excluding depreciation and amortization)</i>	4,981	1	4,980	684312%
GROSS PROFIT <i>(before depreciation and amortization)</i>	1,276	2	1,274	71798%
OTHER OPERATING INCOME	200	-	200	
	1,476	2	1,474	83068%
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	683	9	674	7377%
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>	792	-7	800	-10863%
OTHER INCOME (CHARGES) - net	25	9	16	183%
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	817	1	816	57541%
DEPRECIATION EXPENSE	93		93	
INCOME BEFORE INCOME TAX	724	1	723	50973%
INCOME TAX EXPENSE	236		236	
NET INCOME FOR THE YEAR	488	1	487	34339%

Cosco Capital, Inc. (the "Group") realized revenue of P6 billion for the six-month period ended June 30, 2013. This was higher compared to last year's revenue of P3 million. In the same period, the Group posted a net income of P488 million which was higher compared to last year's figure. This out-of-range fluctuation is because the company's results of operations included revenues from 12 companies only in the month of June 2013.

For comparability and analysis purposes, we have also presented pro-forma financial statements as included in Section B. Below is the management discussion and analysis of the results of operations for the pro-forma financial statements.

Table 2 – Pro-forma Income Statement

<i>(In millions)</i>	For the six months ended June 30		For the three months ended June 30		Fluctuation (six months)	% of fluctuation
	2013	2012	2013	2012		
REVENUES	35,074	24,402	17,911	13,054	10,873	44%
COST OF SALES <i>(excluding depreciation and amortization)</i>	28,469	20,537	14,587	10,971	7,932	39%
GROSS PROFIT <i>(before depreciation and amortization)</i>	6,605	3,865	3,324	2,083	2,740	71%
OTHER OPERATING INCOME	1,004	652	512	363	352	54%
	7,609	4,517	3,836	2,446	3,093	68%
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	3,948	2,660	2,029	1,411	1,288	48%
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>	3,661	1,856	1,807	1,035	1,805	97%
OTHER INCOME (CHARGES) - net	106	-115	2	52	221	-192%
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	3,767	1,741	1,804	983	2,026	116%
DEPRECIATION EXPENSE	530	386	273	203	143	37%
INCOME BEFORE INCOME TAX	3,237	1,355	1,532	779	1,883	139%
INCOME TAX EXPENSE	870	435	427	239	435	100%
NET INCOME FOR THE PERIOD	2,367	920	1,104	540	1,448	157%

On a pro-forma basis wherein the figures presented has been prepared to give effect as if the share-swapping transaction described above had been completed on January 1, 2012. The Group posted a revenue of P35 billion in the six-month period ended June 30, 2013. This is a 44% increase from last year's P24 billion of the same period displaying strong revenue growth in the business segments. Increase in revenue for the retail business was about P9.74 billion; real estate, P0.55 billion, liquor, P0.44 billion and oil storage, P0.10 billion. The increase was generally attributable to newly opened stores and acquisitions for retail business, sales volume growth for liquor business and newly completed properties for lease for real estate business.

Income from operations before depreciation and amortization increased to P4 billion from last year's P2 billion which represents a 97% growth. Consolidated net income after deducting minority interest for six-month period ended in 2013 amounted to P1.5 billion representing approximately 263% increase from last year's consolidated net income net of share of minority interest of P0.41 billion. Retail business accounts for 60% of the net income; real estate, 21%; liquor distribution, 12% and oil storage and mining, 7%. The growth in net income was contributed by all business segments which factors are further discussed in their respective discussion and analysis portion hereunder. Further, the finance income of P15 million from the money market placement received from the additional subscription as a result of the primary offering in June 2013 also contributed to the net income.

RETAIL

For the six-month period ended June 30, 2013, the Retail Business posted net income of P1.78 billion from P1.03 billion of the same period in 2012 for an increase of 72%. This was contributed by the significant increase in sales as a result of additional operating stores this year; improved gross profit due to higher level of suppliers support and overall management effort.

Net Sales

For the six-month period ended June 30, 2013, the Retail Business posted total net sales of P33 billion representing an increase of P9.7 billion compared to P23.3 in 2012 of the same period. Contributing to this increase were the sales from new stores of 2012 fully operating in 2013, and from the acquired stores last year namely S&R and Company E.

Gross Profit

The Retail Business posted an increase of 57% in gross profit for the six-month period ended June 30 from P3.7 billion in 2012 to P5.8 billion in 2013 largely driven by strong sales growth and higher level of suppliers' support by way of rebates and conditional discounts granted during the period.

Other Operating Income

Other operating income increased by P352 million or 54% from P652 million in 2012 to P1 billion in 2013. This includes increase in concessionaire income, commissions due from renting of product locations in store aisles to suppliers and renting of booths to third party retailers, as well as increase in display allowances of the new stores and newly acquired subsidiaries including membership income from consolidation of S&R.

Operating Expenses

Operating expenses increased by P1 billion or 52.3% from P2.9 billion in 2012 to P4.4 billion in 2013. Majority of the increase was due to manpower cost, rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to opening of new stores.

Other Income - net

Other income - net increased by P221 million or 192% from P115 million charges in 2012 to P106 million income in 2013. This was due to the decrease in loans payable and income from money market placements.

REAL ESTATE

Real estate business posted P874 million revenue in the six-month period ended June 30, 2013 or a 172% increase from P321 million in the previous year. The increase was attributable to the newly constructed buildings that started operations in the last quarter of 2012 including those located in San Juan, Batangas, Anabu, Cavite; Subic, and building 2 in Divisoria 999.

Income from operations before depreciation and amortization also increased to P545 million or a 431% from last year's P103 million. This was basically due to the significant increase in revenue while increase in operating expenses is slight as these are mostly fixed in nature. The completion in 2012 of the projects under construction in the previous years contributed a lot since their revenues can already cover their corresponding expenses. Finance cost decreased from P151 million to P58 million as a result of a lower bank borrowings in this period compared to last year's same period. Bank borrowings were partly paid off in significant amount last December.

With the above, net income for the period resulted to P316 million or a 326% increase from last year's losses of P140 million.

LIQUOR DISTRIBUTION

Revenue of the Liquor Business increased to P1.4 billion or a 45% growth from last year's P966 million for the six-month period ended June 30, 2013. Sales volume increased significantly as contributed by many factors, principal of which is the positive impact of the new tax regime implemented at the start of the year. The low excise tax also enabled the Group to trade promotions and volume discounts to wholesalers which increased their purchases. Income from operations before depreciation and amortization jumped to P259 million or a 363% increase from last year's P56 million. Improvement of the gross profit rate had contributed also to this as a result of lower excise tax law being implemented.

OIL STORAGE

Revenue for the first semester of 2013 amounted to P102 million while income from operations before depreciation and amortization was P94 million. The business commenced operations only in November, 2012, hence there was no revenue and income for the first quarter of 2012.

MINING

Revenue decreased by 58% in the first semester of 2013 from last year's P2 million to this year's P1 million of the same period due mainly to the decrease in the share in revenue received from SC-14 B1 (North Matinloc). Loss from operations before depreciation and amortization amounted to P15 million which was offset by the finance income of P30 million earned from money market placements. With the above, net income amounted to P25 million or a 963% increase from last year's P2 million of the same period.

II. FINANCIAL CONDITION

The table below shows the financial condition of Cosco as a mining company until May 31, 2013 and as a conglomerate starting June 1, 2013.

Table 3: Consolidated Statements of Financial Position

<i>(In millions)</i>	June 30, 2013	December 31, 2012	Movement	% of movement
A S S E T S				
Current Assets				
Cash and cash equivalents	15,926	999	14,927	1495%
Receivables - net	2,155	19	2,136	11473%
Inventories	8,646		8,646	
Prepaid expenses and other current assets	1,619	2	1,617	72724%
	28,345	1,020		
NONCURRENT ASSETS				
Noncurrent Assets				
Property and equipment - net	12,467	160	12,307	7674%
Available-for-sale financial assets	55	41	14	34%
Investment properties	11,517		11,517	
Intangible assets	17,801		17,801	
Deferred oil and mineral exploration costs	151	150	1	0%
Deferred tax assets - net	21	5	16	319%
Deposit for future stock subscription	300		300	
Others	1,292	3	1,290	48508%
	43,606	359		
TOTAL ASSETS	71,951	1,379		

LIABILITIES AND EQUITY

LIABILITIES

CURRENT LIABILITIES

Accounts payable, accrued expenses and other liabilities	8,576	3	-8,426	330598%
Income tax payable	346		-346	-77969%
Loans payable and current portion of long term debts	4,805		-4,805	
	13,727	3		

NONCURRENT LIABILITIES

Retirement benefits liability	185		-185	
Deferred tax liabilities	999		-999	
Long term debts - net of current portion	2,964		-2,964	
Others	1,687		-1,687	
	5,834			
Total Liabilities	19,562	3		

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Equity

Capital stock	7,405	1,275	-6,130	-481%
Additional Paid in capital - net	10,004		-10,004	
Treasury stock	-3,913		3,913	
Cumulative unrealized gain on AFS financial assets	3	3		-2%
Merger reserve	24,135		-24,135	
Retained earnings	409	98	-311	-317%
Total Equity Attributable to Equity Holders of Parent Company	38,044	1,376		
Non-controlling interest	14,345		-14,345	
	52,389	1,376		
TOTAL LIABILITIES AND EQUITY	71,951	1,379		

Financial position of the Group as at June 30, 2013, as presented above, is basically the same with that which was prepared on a pro-forma basis except for the stockholders' equity as the share-swapping transaction transpired only in June. The stockholders' equity had increased significantly for the 2nd quarter of 2013. Components and movement of stockholders' equity is presented in the statements of changes in equity as attached in Section A.

For comparison and analysis purposes, a pro-forma statement of financial position is also presented:

Table 4: Pro-forma Statements of Financial Position

<i>(In millions)</i>	June 30, 2013	December 31, 2012	Movement	% of movement
A S S E T S				
Current Assets				
Cash and cash equivalents	15,926	10,701	5,224	49%
Receivables - net	2,155	2,482	-327	-13%
Inventories	8,646	7,135	1,510	21%
Prepaid expenses and other current assets	1,619	1,428	191	13%
	28,345	21,747		
NONCURRENT ASSETS				
Noncurrent Assets				
Property and equipment - net	12,467	10,527	1,940	18%
Investment properties	11,517	11,750	-233	-2%
Intangible assets	17,801	17,432	369	2%
Available-for-sale financial assets	55	51	4	8%
Deferred oil and mineral exploration costs	151	150	1	0%
Deferred tax assets - net	21	40	-19	-47%
Deposit for future stock subscription	300		300	
Others	1,292	1,184	108	9%
	43,606	41,135		
TOTAL ASSETS	71,951	62,881		
LIABILITIES AND EQUITY				
L I A B I L I T I E S				
CURRENT LIABILITIES				
Accounts payable, accrued expenses and other liabilities	8,576	11,474	2,898	25%
Income tax payable	346	500	154	31%
Loans payable and current portion of long term debts	4,805	4,678	-127	-3%
	13,727	16,652		
NONCURRENT LIABILITIES				
Retirement benefits liability	185	164	-21	-13%
Deferred tax liabilities	999	1,059	61	6%
Long term debts - net of current portion	2,964	4,909	1,945	40%
Others	1,687	1,309	-378	-29%
	5,834	7,441		
Total Liabilities	19,562	24,093		

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Equity				
Capital stock	7,405	6,262	-1,143	-18%
Additional Paid in capital	10,028	24	-10,004	-42347%
Treasury stock	-633	-285	348	-122%
Cumulative unrealized gain on AFS financial assets	3	3		0%
Retained earnings	21,241	19,307	-1,933	-10%
Total Equity Attributable to Equity Holders of Parent Company				
	38,044	25,311		
Non-controlling interest	14,345	13,477	-868	
	52,389	38,788		
TOTAL LIABILITIES AND EQUITY				
	71,951	62,881		

Current Assets

Cash and cash equivalents amounted to P15.9 billion as of June 30, 2013 with an increase of P5.2 billion from December 31, 2012 or a 49% increase due basically to the receipt of the P12 billion worth of capital stocks subscribed and collected from various new investors last June as the aftermath of the primary placement offering in May 2013. This was offset by the significant decrease in cash of the retail business because of its prepayment of its long-term corporate notes, settlement of trade liabilities, payment of 2012 cash dividends and capital expenditure for new stores expansion and acquisition.

Receivables decreased by 13% from last year's balance of P2.5 billion to this period's balance of P2.1 billion due significantly to the Retail Business' decrease of P363 million for the same period.

Inventories increased by 21% from 2012 balance of P7.1 billion to this period's balance of P8.6 billion due to the increasing size of the Retail and Liquor Business. Bulk of the inventory pertains to the merchandise of the Retail Business which amounted to P7.7 billion with an increase of P1.1 billion principally due to stocking requirements of existing and new operating stores.

Prepaid expenses and other current assets increased by P191 million or 13% at the end of June 2013 which was contributed significantly by the Retail Business in connection with their opening of new stores which caused them prepayments of rent, insurance, taxes, permits and licenses and input taxes.

Noncurrent Assets

As at June 30, 2013 and December 31, 2012, total noncurrent assets amounted to P44 billion or 60% of total assets, and P41 billion or 65% of total assets, respectively, for an increase P3 billion or 7% as at June 30, 2013.

Property and equipment pertains to the buildings and equipment owned by the Retail Business. Book values of property and equipment increased by P1.9 billion or 18% from P10.5 billion in December 2012 to P12.5 billion in June 2013. This was due principally to additional capital expenditures incurred for the development and establishment of new stores during the current period.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate Business. Book values of property and equipment decreased by P233 million or 2% from P11.8 billion in December 2012 to P11.5 billion in June 2013. This was due principally to additional capital expenditures incurred for the development and establishment of new stores during the current period.

Available-for sale-financial assets consisted of investments in trading securities P35 million of which was contributed by the Retail Business and the balance from the Holding Company itself. The total of the securities amounted to P55 million as of June 30 with an 8% increase in value.

Other noncurrent assets increased by P108 million or 9% from P1.2 billion in December 2012 to P1.3 billion in June 2013. About 86% of these assets were contributed by the Retail Business and the increase was primarily due to increase in security deposits in relation to new leases acquired for new stores development.

Current Liabilities

As at June 30, 2013 and December 31, 2012, total current liabilities amounted to P14 billion and P17 billion respectively, for a decrease of P3 billion or 18% as at June 30, 2013.

About 85% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the Retail Business and the balance mostly to the contractors and suppliers of the Real Estate Business. The decrease by P3 billion or 25% was primarily due to net settlement of trade liabilities and payment of cash dividend to stockholders by the Retail Business.

Significant part of the income tax payable pertains to that of the Retail business. The decrease of P154 million from P500 million in December 2012 to P346 million in June 2013 was due to settlements made by the businesses as at June 30, 2013.

Noncurrent Liabilities

As at June 30, 2013 and December 31, 2012, total noncurrent liabilities amounted to P5.8 billion P7.4 billion, respectively, for a decrease of P1.6 billion or 22% as at June 30, 2013.

Retirement benefits liability pertains mostly to the Retail Business which is about 96% of this account and the rest to other businesses. The increase was due to recognition of obligation incurred based on the latest independent actuarial report in accordance with PAS 19 – *Employee Benefits*.

Long term debts pertain to the Retail Business new loans with banks to finance its expansion. Long-term debt pertaining to the Retail Business corporate notes as of December 31, 2012 was fully settled as at June 30, 2013. New loans with the banks to finance its expansion were obtained.

Noncurrent accrued rent, which is the major component of other noncurrent liabilities, increased by P218 million or 19.4% from P1.1 billion in December 2012 to P1.3 billion in June 2013 due to recognition of rent expense for lease contracts entered into by the Parent Company and its subsidiaries in compliance with PAS 17 – *Leases*.

III. Sources and Uses of Cash

The Company's primary source of liquidity is cash provided from investing activities (e.g. interest income). Principal uses of cash are operating expenses and project developments. The Company did not use any debt financing.

A brief summary of cash flow movements is shown below:

Activities	2013	2012
Cash flows used in operating activities	(28,234,430)	(7,970,384)
Cash flows from investing activities	1,938,649,271	17,848,017
Cash flows from financing activities	13,016,264,216	-
Effects of foreign exchange rate on cash and cash equivalents	206,676	(996,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS	14,926,885,733	8,881,421

Net cash used in operations for the period is P28 million basically refers to operating expenses for the period adjusted by changes in current assets and current liabilities.

The bulk of the net cash flow provided by investing activities was generated from the cash balance of subsidiaries consolidated with the Parent's cash and cash equivalents.

Cash and cash equivalents from investing activities were generated from the receipt of the P12 billion worth of capital stocks subscribed and collected from various new investors last June as the aftermath of the primary placement offering in May 2013.

Management believes that the current levels of internally generated funds and additional capital issuance are needed to meet the Groups's immediate future cash needs and current work program commitments.

(2.) Discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations.

- (i) Due to the company's sound financial condition, there is no foreseeable trend or event that may have a material impact on its short-term or long-term liquidity.
- (ii) Sources of liquidity - Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market if the need arises.
- (iii) There are no events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation;
- (iv) There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the year.
- (v) There is no material commitment for capital expenditures other than those performed in the ordinary course of trade or business.
- (vi) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations
- (vii) There is no significant element of income not arising from continuing operations.
- (viii) The causes for the material changes in the financial statements from 2012 to 2013 are explained in the management's discussion and analysis of operations.
- (ix) There have been no seasonal aspects that had a material effect on the financial condition or results of the company's operations except for the liquor business which revenue comes in significant amount during gift-giving Christmas season.

PART II--OTHER INFORMATION

Disclosure not made under SEC Form 17-C - None

SIGNATURES

Issuer: COSCO CAPITAL, INC. (Formerly Alcorn Gold Resources Corporation)

Duly Authorized Representative of the Issuer
Signature and Title:


LEONARDO B. DAYKO
President

Date: August 14, 2013

Duly Authorized Representative of the Issuer
Signature and Title:


MARY S. DEMETILLO
Chief Financial Officer

Date: August 14, 2013

SECTION A
(Consolidated Interim Financial Statements)

COSCO CAPITAL, INC AND SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Contents

Interim Consolidated Statements of Financial Position
As of June 30, 2013 and December 31, 2012

Interim Consolidated Statements of Income
For the Period Ended June 30, 2013 and 2012
For the Quarter Ended June 30, 2013 and 2012

Interim Consolidated Statements of Changes in Stockholders' Equity
For the Period Ended June 30, 2013 and 2012

Interim Consolidated Statements of Cash Flows
For the Period Ended June 30, 2013 and 2012

Notes to Interim Consolidated Financial Statements

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2013 and December 31, 2012

(In Philippine Peso)

	NOTES	2013	2012*
A S S E T S			
Current Assets			
Cash and cash equivalents	6	15,925,591,132	998,705,399
Receivables - net	7	2,154,631,785	18,616,967
Inventories	9	8,645,693,327	-
Prepaid expenses and other current assets	10	1,619,222,696	2,223,481
		28,345,138,940	1,019,545,847
NONCURRENT ASSETS			
Noncurrent Assets			
Available-for-sale financial assets	8	54,859,107	41,002,675
Property and equipment - net	11	12,467,178,174	160,378,421
Investment properties	12	11,517,478,001	-
Intangible assets	13	17,801,419,626	-
Deferred oil and mineral exploration costs		150,887,444	150,157,792
Deferred tax assets - net		21,279,316	5,075,324
Deposit for future stock subscription	14	300,000,000	-
Others		1,292,466,192	2,658,958
		43,605,567,861	359,273,170
TOTAL ASSETS		71,950,706,801	1,378,819,017

LIABILITIES AND EQUITY**LIABILITIES****CURRENT LIABILITIES**

Accounts payable, accrued expenses and other liabilities	15	8,576,010,036	2,548,862
Income tax payable		346,214,574	443,471
debts	16	4,805,031,450	-
		13,727,256,061	2,992,333

NONCURRENT LIABILITIES

Retirement benefits liability	22	184,671,435	-
Deferred tax liabilities		998,675,438	-
Long term debts - net of current portion	16	2,963,700,000	-
Others		1,687,416,800	-
		5,834,463,673	-
Total Liabilities		19,561,719,733	2,992,333

EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Equity			
Capital stock	18	7,405,263,564	1,275,000,000
Additional Paid in capital - net	18	10,004,297,991	-
Treasury stock		(3,912,834,449)	-
Cumulative unrealized gain on AFS financial assets		2,623,692	2,623,692
Retained earnings		24,544,245,639	98,202,992
Total Equity Attributable to Equity Holders of Parent Company		38,043,596,437	1,375,826,684
Non-controlling interest		14,345,390,631	-
		52,388,987,068	1,375,826,684
TOTAL LIABILITIES AND EQUITY		71,950,706,801	1,378,819,017

(See Notes to Financial Statements)

*Does not include information for subsidiaries acquired in May 2013 (see Note 1 to the consolidated financial statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES*(Formerly Alcorn Gold Resources Corporation)***INTERIM CONSOLIDATED INCOME STATEMENTS**

For the Six Months Ended June 30, 2013 and 2012

(In Philippine Peso)

	NOTES	2013	2012*
REVENUES	19	6,256,500,685	2,501,948
COST OF SALES <i>(excluding depreciation and amortization)</i>	20	4,980,896,219	727,763
GROSS PROFIT <i>(before depreciation and amortization)</i>		1,275,604,466	1,774,185
OTHER OPERATING INCOME	21	199,950,145	-
		1,475,554,611	1,774,185
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	22	683,161,564	9,136,372
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>		792,393,046	(7,362,187)
OTHER INCOME - net	23	24,879,054	8,780,046
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX		817,272,100	1,417,859
DEPRECIATION AND AMORTIZATION EXPENSE	26	93,131,417	-
INCOME BEFORE INCOME TAX		724,140,683	1,417,859
INCOME TAX EXPENSE		235,843,441	-
NET INCOME FOR THE PERIOD		488,297,242	1,417,859
Net Income Attributable to:			
Equity holders of the Parent Company		311,182,062	1,417,859
Non-controlling interests		177,115,180	-
		488,297,242	1,417,859
Earnings per share (Annualized)		0.4820	0.000085
Earnings per share (Actual)		0.1377	0.000020

(See Notes to Financial Statements)

*Does not include information for subsidiaries acquired in May 2013 (see Note 1 to the consolidated financial statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES*(Formerly Alcorn Gold Resources Corporation)***INTERIM CONSOLIDATED INCOME STATEMENTS**

For the Three Months Ended June 30, 2013 and 2012

(In Philippine Peso)

	2013	2012*
REVENUES	6,255,904,444	-
COST OF SALES <i>(excluding depreciation and amortization)</i>	4,980,471,089	276,941
GROSS PROFIT <i>(before depreciation and amortization)</i>	1,275,433,355	(276,941)
OTHER OPERATING INCOME	199,950,145	-
	1,475,383,500	(276,941)
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	700,362,733	5,006,213
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>	775,020,767	(5,283,154)
OTHER INCOME - net	1,881,083	6,156,167
INCOME BEFORE DEPRECIATION AND AMORTIZATION		
AND INCOME TAX	776,901,849	873,013
DEPRECIATION EXPENSE	93,069,716	-
INCOME BEFORE INCOME TAX	683,832,133	873,013
INCOME TAX EXPENSE	235,843,441	-
NET INCOME FOR THE PERIOD	447,988,692	873,013
Net Income Attributable to:		
Equity holders of the Parent Company	270,873,513	873,013
Non-controlling interests	177,115,180	-
	447,988,693	873,013

*Does not include information for subsidiaries acquired in May 2013 (see Note 1 to the consolidated financial statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Six Months Ended June 30, 2013 and 2012

(in Philippine Pesos)

	Equity Attributable to Equity Holders of Parent					Reserve in changes of Available for- sale Financial Assets	Treasury Stock	Total	Non-controlling Interest	Total
	Capital Stock	Additional Paid-in Capital	Retained Earnings	Subscribed capital Stock	Subscription Receivable					
Balance at January 1, 2012	697,140,569	-	87,433,019	577,859,431	(433,443,473)	2,794,223	-	931,783,769	-	931,783,769
Comprehensive income for the 1st quarter	-	-	544,846	-	-	-	-	544,846	-	544,846
Comprehensive income for the 2nd quarter	-	-	873,013	-	-	-	-	873,013	-	873,013
At June 30, 2012	697,140,569	-	88,850,878	577,859,431	(433,443,473)	2,794,223	-	933,201,628	-	933,201,628
Balance at January 1, 2013	1,275,000,000	-	98,202,992	-	-	2,623,692	-	1,375,826,684	-	1,375,826,684
Issuance of capital stock	6,130,263,564	10,004,297,991	-	-	-	-	-	16,134,561,555	-	16,134,561,555
Effect of pooling of interest	-	-	-	-	-	-	-	24,134,860,585	-	24,134,860,585
Reacquisition of shares through business combination	-	-	24,134,850,585	-	-	-	(3,912,834,449)	-	-	(3,912,834,449)
Non-controlling interest from business combination	-	-	-	-	-	-	-	14,168,275,451	14,168,275,451	14,168,275,451
Comprehensive income for the 1st quarter	-	-	40,308,549	-	-	-	-	40,308,549	-	40,308,549
Comprehensive income for the 2nd quarter	-	-	270,873,513	-	-	-	-	270,873,513	177,115,180	447,988,693
Balance at June 30, 2013	7,405,263,564	10,004,297,991	24,544,245,639	-	-	2,623,692	(3,912,834,449)	38,043,596,437	14,345,390,631	52,388,987,068

(See Notes to Financial Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES*(Formerly Alcorn Gold Resources Corporation)***INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Six Months Ended June 30, 2013 and 2012

(In Philippine Peso)

	NOTES	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		724,140,683	873,013
Adjustments for:			
Depreciation	26	93,069,716	321,142
Finance cost	16	15,222,704	(769,969)
Retirement benefit expense	24	3,400,695	-
Unrealized foreign exchange loss (gain)		(206,676)	996,212
Finance income	23	(14,760,326)	(8,010,077)
Operating cash flows before changes in working capital		820,866,796	(6,589,679)
Decrease (Increase) in operating assets:			
Receivables		(127,350,519)	334,132
Advances to related parties		661,247,329	-
Inventories		76,723,644	-
Prepayments and other current assets		203,586,629	(6,979)
Other non-current assets		3,389,138	-
Decrease in operating liabilities:			
Accounts payable, accrued expenses and other liabilities		(1,303,549,795)	(1,351,700)
Advances from related parties		(50,482,990)	-
Trust receipts payable		(6,293,430)	-
Deferred credits		(87,427,609)	-
Other non-current liabilities		(70,010,990)	-
Cash generated from (used in) operations		120,698,203	(7,614,226)
Income taxes paid		(148,932,633)	(356,158)
Net cash used in operating activities		(28,234,430)	(7,970,384)

CASH FLOWS FROM INVESTING ACTIVITIES			
Cash proceeds from business combination		2,809,549,499	-
Proceeds on sale of financial assets		36,711,126	10,834,152
Finance income received		14,760,326	(996,212)
Dividends received		-	8,010,077
Payments for property and equipment		(573,264,317)	-
Payments for investment property		(48,383,348)	-
Payments for intangible assets		5,637	-
Payments for oil and mineral exploration		(729,652)	-
Payments for deposit for future stock subscription	14	(300,000,000)	-
Net cash from investing activities		1,938,649,271	17,848,017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of capital stock	18	12,000,000,001	-
Finance costs paid		(15,222,704)	-
Payments for share issue cost	18	(852,844,867)	-
Proceeds from loan borrowings		1,884,331,786	-
Net cash from financing activities		13,016,264,216	-
EFFECTS OF FOREIGN EXCHANGE RATE			
CHANGES ON CASH AND CASH EQUIVALENTS		206,676	(996,212)
NET INCREASE IN CASH AND CASH EQUIVALENTS		14,926,885,733	8,881,421
CASH AND CASH EQUIVALENTS AT BEGINNING			
OF PERIOD		998,705,399	540,013,336
CASH AND CASH EQUIVALENTS AT END			
OF THE PERIOD		15,925,591,132	548,894,757

(See Notes to Financial Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2013 and December 31, 2012

(In Philippine Peso)

	NOTES	2013	2012*
ASSETS			
Current Assets			
Cash and cash equivalents	6	15,925,591,132	998,705,399
Receivables - net	7	2,154,631,785	18,616,967
Inventories	9	8,645,693,327	-
Prepaid expenses and other current assets	10	1,619,222,696	2,223,481
		28,345,138,940	1,019,545,847
NONCURRENT ASSETS			
Noncurrent Assets			
Available-for-sale financial assets	8	54,859,107	41,002,675
Property and equipment - net	11	12,467,178,174	160,378,421
Investment properties	12	11,517,478,001	-
Intangible assets	13	17,801,419,626	-
Deferred oil and mineral exploration costs		150,887,444	150,157,792
Deferred tax assets - net		21,279,316	5,075,324
Deposit for future stock subscription	14	300,000,000	-
Others		1,292,466,192	2,658,958
		43,605,567,861	359,273,170
TOTAL ASSETS		71,950,706,801	1,378,819,017

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) (the Parent Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988 with the primary purpose of engaging in exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity. The Company's shares of stock are traded in the Philippine Stock Exchange (PSE) since September 26, 1988, the same date the Company attained its status of being a public company.

On October 8, 1999, the stockholders approved the amendment of the Parent Company's primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Company. The SEC approved the amendment on January 13, 2000. The Company, as a holding company, may engage in any business that may add to its shareholders' worth. It is currently conducting studies in various industries that have high potential return such as in minerals, agriculture and power generation and distribution.

The Company's registered office, which is also its principal place of business, is at 2nd Floor, Tabacalera Building #2, 900 D. Romualdez Sr. Street, Paco, Manila.

The Company's current major shareholders consist of individual and corporate Filipino investors.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for available-for-sale (AFS) financial assets which are measured at fair value.

2.02 Basis of Consolidation

These financial statements are the consolidated financial statements of Cosco Capital, Inc. and all of its subsidiaries ("the Group").

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies so as to obtain benefit from their activities. Subsidiaries are included from the date on which control is transferred until the date that the control ceases.

The Parent Company assesses control in consolidating a subsidiary. The Parent has control over a subsidiary when it 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.

The Parent Company and the acquired subsidiaries are either from the same group or entities controlled by the same individual shareholder. The acquisition of the subsidiaries is a result of a restructuring to insert a new parent at the top of the group. The Group applies the pooling of interest method in the consolidation of financial statements under common control. The application of this method is applied prospectively from the transaction date or from the date control is obtained.

Under the pooling of interest method, the assets and liabilities of the subsidiaries are recorded at book value not at fair value and no goodwill is recorded. The difference between the acquisition cost (par value of the shares issued) against the net book value of net assets acquired is presented as part of pre-acquisition retained. Any expenses of the combination, except share issue cost, are recognized immediately in the consolidated statements of comprehensive income

Intra-group transactions, balances and unrealized gains and losses on transactions between group companies are eliminated.

Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the parent company. Non-controlling shareholders' interest is initially measured at the non-controlling interests' proportionate share of the book value of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Acquisitions or disposals of non-controlling interests which do not affect the parent company's control of the subsidiary are accounted for as transactions with equity holders. Any difference between the amount paid or received and the change in non-controlling interests is recognized directly in equity.

The following the subsidiaries of the Parent company:

	Percentage of Ownership	
	2013	2012
Puregold Price Club, Inc.	51%	-
Montosco, Inc.	100%	-
Meritus Prime Distributions, Inc.	100%	-
Premier Wine and Spirits, Inc.	100%	-
Nation Realty, Inc.	100%	-
SVF Corporation	100%	-
Go Fay & Co., Incorporada	100%	-
118 Holdings	100%	-
Patagonia Holdings Corp.	100%	-
Ellimac Prime Holdings, Inc.	100%	-
Fertuna Holdings Corp.	100%	-
Pure Petroleum Corp.	100%	-

Puregold Price Club, Inc.

Incorporated and registered with the SEC on September 8, 1998 to engage in business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis.

The consolidated financial statements also include the following indirect subsidiaries owned through Puregold Price Club, Inc.

Subsidiaries	Percentage of Ownership	
	2013	2012
Kareila Management Corporation	100%	100%
PPCI Subic, Inc.	100%	100%
Company E Corporation	100%	-

Montosco, Inc.

Incorporated and registered with SEC on August 13, 2008 to engage in the business of trading consumer goods on wholesale or retail basis.

Meritus Prime Distributions, Inc.

Incorporated and registered with SEC on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distribution on wholesale of all kinds of wines, spirits, liquors, beers and other alcoholic and non-alcoholic beverages and drinks.

Premier Wine and Spirits, Inc.

Incorporated and registered with SEC on July 19, 1996 with a primary purpose to engage in the business of buying, selling, distribution and marketing on a wholesale basis, any and all kinds of beverages, spirits and liquors and to deal in any materials, articles or things required in connection with or incidental to the importation, exportation, manufacturing, marketing or distribution of such products.

Nation Realty, Inc.

Incorporated and registered with SEC on March 27, 1969 to acquire by purchase or lease, or otherwise, land and interest therein, and to own, hold improve, develop, and manage any real estate acquired and to erect or cause to be erect or cause to be erected on any lands owned, hold or occupied by the corporation, building or other structures with their appurtenances, and to acquire, own, lease or otherwise possess, rebuild, enlarge or improve any buildings or structures now or hereafter erected on any lands, and to mortgage, sell, lease or otherwise dispose of any lands and buildings or other structures at any time owned or held by the corporation.

SVF Corporation

Incorporated and registered with SEC on June 8, 1984 to purchase acquire, subdivide, lease, or in any manner, hold, own, use, sell or in any manner turn to account or dispose, of land and real estate of any class and description and thereon, or otherwise, to erect, construct, build, lease, use, equip, operate, or in any manner turn to account or dispose of buildings, of any kind or every kind, stores, storehouse, warehouses, offices, agencies, factories, plants, machineries, tools, equipment of any kind, with its appurtenances and appliances, to the fullest extent permitted by law.

Go Fay & Co., Incorporada

Incorporated and registered on July 3, 1930 with life extension for another 50 years on July 3, 1980. Its principal activities are to sell, export, and import cigarettes and later on, as real estate lessor.

118 Holdings

Incorporated and registered with SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property or every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts, or obligations of corporations, associations, domestic or foreign, for whatever lawful purpose may have been organized, and to pay therefore in whole and in part in cash or by exchanging therefore stocks, bonds, or other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts, obligations, to receive, collect and dispose interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned.

Patagonia Holdings Corp.

Incorporated and registered with SEC on March 12, 2008 to invest in, purchase, subscribe for or otherwise acquire and own, hold, use, develop, sell, assign, pledge, transfer, mortgage, exchange or otherwise dispose real and personal property of every kind description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of any corporation, or any other entities among others.

Ellimac Prime Holdings, Inc.

Incorporated and registered with SEC on December 10, 2001. It is principally involved in real estate leasing.

Fertuna Holdings Corp.

Incorporated and registered with SEC on August 24, 2009 to invest in purchase, subscribe for or otherwise acquire and own, hold, use, develop, sell, assign, pledge, transfer, mortgage, exchange, or otherwise dispose real and personal property and every kind and description, including shares of stock, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts and obligation of any corporation, or any other entities among others.

Pure Petroleum Corp.

Incorporated and registered with SEC on July 9, 2009 with primary purpose to engage in the business of buying and selling of goods such as, but not limited to, to diesel, used oil and other related product as may be permitted by law, in wholesale and retail basis.

The financial statements of the subsidiaries are prepared for the same reporting year as the Parent Company, using consistent accounting policies.

All intracompany balances, transactions, income and expenses resulting from intracompany transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Company and are presented separately in the consolidated statements of income and within stockholders' equity in the consolidated balance sheets, separately from equity attributable to equity holders of the parent.

2.03 Functional and Presentation Currency

Items included in the financial statements of the Group are measured using Philippine Peso (P), the currency of the primary economic environment in which the Group operates (the "functional currency"). All values are rounded to the nearest peso, except when otherwise indicated.

2.04 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the following amended PFRS and PAS which the Company has adopted during the year:

- PFRS 7 (Amended), *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*

The amendment requires disclosing information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The amendments are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. An entity shall provide the disclosures required by those amendments retrospectively.

- PFRS 10, *Consolidated Financial Statements*

The Standard establishes the principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The Standard defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. This PFRS will supersede PAS 27, *Consolidated Financial Statements and Separate Financial Statements* and SIC 12, *Consolidation – Special Purpose Entities*.

PFRS 10 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- PFRS 12, *Disclosure of Interests in Other Entities*

The Standard applies to entities that have an interest in a subsidiary, a joint arrangement, and an associate or an unconsolidated structured entity. It benefits the users by identifying the profit or loss and cash flows available to the reporting entity and determining the value of current or future investment in the reporting entity.

PFRS 12 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- **PFRS 13, *Fair Value Measurement***

The Standard explains how to measure fair value for financial reporting. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It emphasizes that fair value is market-based not an entity-specific measurement; hence an entity's intention to hold an asset or to settle or otherwise fulfil a liability is not relevant when measuring fair value. It was developed to eliminate inconsistencies of fair value measurements dispersed in various existing PFRSs. It clarifies the definition of fair value, provides a single framework for measuring fair value and enhances fair value disclosures.

PFRS 13 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

- **PAS 1 *Presentation of Items of Other Comprehensive Income***

To improve the presentation of items of OCI, amended PAS 1 require entities to group items presented in the OCI on the basis whether they would be reclassified to (recycled to) profit or loss subsequently.

The amendments did not address which items should be presented in the OCI and did not change the option to present OCI items either before or net of tax.

Those amendments are effective for annual periods beginning on or after July 1, 2012. Earlier application is permitted.

- **PAS 19 (Amended) *Employee Benefits***

Significant changes to this standard include removal of corridor approach; immediate recognition of past service costs; presentation of remeasurements on defined benefit plans in other comprehensive income; new recognition criteria on termination benefits; and improved disclosure requirements.

The amended standard comes into effect for accounting periods beginning on or after January 1, 2013. Earlier application is permitted.

- **PAS 28 (Revised), *Investment in Associates***

The amendments to PAS 28 are result of the completion and issuance of a new standard on joint arrangements, the PFRS 11 Joint Arrangements. As a result, PAS 28 will now be titled as Investment in Associates and Joint Ventures incorporating requirements for joint ventures.

The amended standard is applicable to annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- ***Improvements to PFRS (2011)*** – Effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

PAS 1, *Presentation of Financial Statements* – The improvements in this PFRS clarifies that when an entity changes an accounting policy, or makes a retrospective restatement or reclassifications it shall present:

- a) the opening statement of financial position should be presented as at the beginning of the required comparative period; and
- b) related notes are not required to accompany this opening statement of financial position.

The objective of financial reporting was also updated to reflect the conceptual framework.

PAS 16, *Property, Plant and Equipment* – It clarifies that servicing equipment should be classified as property, plant and equipment when it is used during more than one period and as inventory otherwise.

PAS 32, *Financial Instruments: Presentation* – It clarifies that income tax relating to distributions to holders of an equity instrument and income tax relating to transaction costs of an equity transaction should be accounted for in accordance with PAS 12, *Income Taxes*.

PAS 34, *Interim Financial Reporting* – It clarifies that the requirements in PAS 34 relating to segment information for total assets for each reportable segment in order to enhance consistency with the requirements in PFRS 8, *Operating Segments*. The amendment clarifies that total assets for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change in the total assets for that segment from the amount disclosed in the last annual financial statements.

The standards that have been adopted are deemed to have no material impact on the consolidated financial statements of the Group.

2.05 Future Changes in Accounting Policies

The Company did not early adopt the following standards and Philippine Interpretations that have been approved but are not yet effective. The Company will adopt these standards and interpretations on their effective dates.

- **PFRS 9, *Financial Instruments: Classification and Measurement***

PFRS 9, *Financial Instruments*, issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and for derecognition.

PFRS 9 requires all recognised financial assets that are within the scope of PAS 39, *Financial Instruments: Recognition and Measurement*, to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

The most significant effect of PFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under PFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under PAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss was recognized in profit or loss.

PFRS 9 is effective for annual periods beginning on or after 1 January 2015, with earlier application permitted.

- PAS 32 (Amended), *Financial Instruments: Presentation – Offsetting of Financial Assets and Liabilities*

The amendment provided additional application guidance for offsetting in accordance with PAS 32. The amendments clarified the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. These amendments are effective for annual periods beginning on or after January 1, 2014 and should be applied retrospectively. Earlier application is permitted.

- PAS 36 (Amended), *Impairment of Assets*

The amendment requires to disclose the recoverable amount of impaired assets. It clarifies that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

The amendment is to be applied retrospectively for annual periods beginning on or after January 1, 2014. Earlier application is permitted for periods when the entity has already applied IFRS 13.

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

The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of PAS 11, *Construction Contracts*, or PAS 18, *Revenue*, and when revenue from the construction of real estate should be recognized. The requirements have not affected the accounting for the Group’s construction activities. Effectivity of this interpretation has been deferred until the the final Revenue standard is issued by 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.

3. SIGNIFICANT ACCOUNTING POLICIES

Principal accounting and financial reporting policies applied by the Group in the preparation of its financial statements are enumerated below and are consistently applied to all the years presented, unless otherwise stated.

3.01 Financial Assets

Financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Day 1 Difference. Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a ‘Day 1’ difference) in the consolidated statements of income unless it qualifies for recognition as some other type of asset. In cases where unobservable data is used, the difference between the transaction price and model value is only recognized in the consolidated statements of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the

Company determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets that are subsequently measured at cost or at amortized cost, and where the purchase or sale are under a contract whose terms require delivery of such within the timeframe established by the market concerned are initially recognized on the trade date.

Financial assets are classified into the following specified categories: financial assets at fair value through profit or loss (FVTPL), 'available-for-sale' (AFS) financial assets, held-to-maturity investments and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Group's financial assets include cash and cash equivalents, receivables, available-for-sale financial assets, advances to related parties and deposit for future stock subscription.

Effective Interest Method

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts, through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for debt instruments other than those financial assets classified as at FVTPL.

Amortized Cost

Amortized cost is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of effective interest rate.

Financial Assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated income statements.

Available-for-sale Financial Assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value, because the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in Note 24. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. The Group also has investments in unlisted shares that are not traded in an active market and are stated at acquisition cost and reduced at each reporting period by any impairment in value.

Non-derivative available-for-sale financial asset may be reclassified to loans and receivable category that would have met the definition of loans and receivables if there is an intention and ability to hold that financial asset for the foreseeable future or until maturity.

Dividends on AFS equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

The fair value of AFS monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Loans and Receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of Financial Assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, including redeemable notes classified as AFS and finance lease receivables, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.
- the lender, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the lender would not otherwise consider
- the disappearance of an active market for that financial asset because of financial difficulties
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including (i) adverse changes in the payment status of borrowers in the group (e.g. an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount); or (ii) national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrowers in the group).

Other factors may also be evidence of impairment, including significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

With the exception of AFS equity instruments, 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 through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

In respect of AFS equity securities, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses shall not be reversed.

Derecognition of Financial Assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

3.02 Business Combinations

Business combinations are accounted for using the pooling of interest method. The consideration for acquisition is measured at book values of assets given, liabilities incurred or assumed, and par value equity instruments issued by the Company in order to obtain control of the acquiree (at the date of exchange). Costs incurred in connection with the acquisition are recognized in profit or loss as incurred, except share issue cost. The costs of integrating and reorganizing acquired businesses are charged to the post acquisition profit or loss.

If the initial accounting is incomplete at the reporting date, provisional amounts are recorded. These amounts are subsequently adjusted during the measurement period, or additional assets or liabilities are recognized when new information about its existence is obtained during this period.

3.03 Acquisition of Non-controlling Interests

Changes in a parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e., transactions with owners in their capacity as owners). In such circumstances, the carrying amounts of the controlling and non-controlling interests shall be adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid shall be recognized directly in stockholders' equity and included under "Additional paid-in capital - net" account in the stockholders' equity section of the consolidated balance sheets.

3.04 Inventory

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are determined using the moving average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

When the net realizable value of the inventories is lower than the cost, the Group provides for an allowance for the decline in the value of the inventory and recognizes the write-down as an expense in the consolidated income statements. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

When inventories are sold, the carrying amount of those inventories is recognized as an expense in the period in which the related revenue is recognized.

3.05 Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at cost less accumulated depreciation and impairment loss.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use.

Land is not depreciated. Construction-in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete and the property is ready for occupancy.

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

Buildings	10-25
Land improvements	25-50

Investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

3.06 Property and equipment

Property and equipment are initially measured at cost. The cost of an asset consists of its purchase price and costs directly attributable to bringing the asset to its working condition for its intended use. Subsequent to initial recognition property and equipment are carried at cost less accumulated depreciation and accumulated impairment losses.

Subsequent expenditures relating to an item of property, plant and equipment that have already been recognized are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditures are recognized as expenses in the period in which those are incurred.

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

Building	15-30
Storage tanks	25
Machinery equipment	3-25
Furniture and fixtures	2-20
Office equipment	2-10
Computer software	5-10
Transportation equipment	3-5
Others	3

Leasehold improvements are depreciated over the shorter between the improvements' useful life of 3 to 20 years or the lease term.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of a property, plant and equipment are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss when the asset is derecognized.

3.07 Intangible Assets

Goodwill

Goodwill represents the book value amounts recognized in the consolidated financial statements of the subsidiary and is carried in the books of the Group's consolidated financial statements as a result of the pooling of interest method. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, if any, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Intangible Assets Acquired Separately

Intangible assets acquired separately are initially carried at cost. Subsequently, intangible assets with definite useful lives are carried at cost less accumulated amortization and accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with indefinite life are not amortized. However, such assets are reviewed annually to ensure the carrying amount does not exceed the recoverable amount regardless of whether an indicator of impairment is present. The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on the analysis of all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

Derecognition of intangible assets

An intangible asset is derecognized on disposal or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss.

3.08 Impairment of Assets

At each reporting date, the Group assesses whether there is any indication that any assets other than inventories, deferred tax assets and financial assets that are within the scope of PAS 39 Financial Instruments may have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognized as an expense.

Except for goodwill, when an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income.

3.09 Borrowing Costs

Borrowing costs are recognized in profit or loss in the period in which they are incurred.

3.10 Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognized at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax. The cost of acquiring the Group's own shares are shown as a deduction from equity until the shares are cancelled or reissued. When such shares are subsequently sold or reissued, any consideration received, net of directly attributable incremental transaction costs and the related income tax effects, is included in equity.

Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

The Group's financial liabilities include accounts payable, accrued expenses and other liabilities, loans payable and long-term debts.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value inclusive of directly attributable transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Derecognition of Financial Liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

3.11 Offsetting of Financial Instruments

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

3.12 Employee Benefits

Short-term Benefits

The Group recognizes a liability net of amounts already paid and an expense for services rendered by employees during the accounting period. Short-term benefits given by the Group to its employees include salaries and wages, social security contributions, short-term compensated absences and non-monetary benefits.

Post-employment Benefits

The Group has an unfunded defined benefit retirement plan. This benefit defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The cost of providing benefits is determined using the Projected Unit Credit Method which reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Post-employment expenses include current service cost, past service cost, and net interest on defined benefit asset/liability. Remeasurements which include cumulative actuarial gains and losses, return on plan assets, and changes in the effects of asset ceiling are recognized directly in other comprehensive income and is also presented under equity in the statement of financial position.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in profit or loss.

The liability recognized in the statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by an actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

3.13 Provisions

Provisions are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

3.14 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of Goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of Services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. Revenue from rendering of services is recognized when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group;
- the stage of completion of the transaction can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Finance Income

Finance income is recognized when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Finance income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Rental Income

The Group's policy for recognition of revenue from operating leases is described in Note 3.16.

3.15 Expense Recognition

Expense encompasses losses as well as those expenses that arise in the course of the ordinary activities of the entity.

The Group recognizes expenses in the consolidated statement of income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

3.16 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as Lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as Lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.17 Foreign Currency Transactions

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, are recognized at the rates of exchange prevailing at the dates of the transactions.

3.18 Related Parties and Related Party Transactions

A related party is a person or entity that is related to the Group that is preparing its financial statements. A person or a close member of that person's family is related to Group if that person has control or joint control over the Group, has significant influence over the Group, or is a member of the key management personnel of the Group or of a parent of the Group.

An entity is related to the Group if any of the following conditions applies:

- The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.
- The entity is controlled or jointly controlled by a person identified above.
- A person identified above has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members, who may be expected to influence, or be influenced by, that person in their dealings with the Group and include that person's children and spouse or domestic partner; children of that person's spouse or domestic partner; and dependants of that person or that person's spouse or domestic partner.

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

3.19 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current Tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statements of income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, carry forward of unused tax credits from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) and unused Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profits will be available against which those deductible temporary differences and carry forward of unused MCIT and unused NOLCO can be utilized. Deferred income tax, however, is not recognized when it 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 that affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognized for taxable temporary differences. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

3.20 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer (CEO) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.21 Earnings Per Share

The Group computes its basic earnings per share by dividing net income or loss attributable to ordinary holders of the Group by the weighted average number of ordinary shares outstanding during the period.

For the purpose of calculating diluted earnings per share, profit or loss attributable to ordinary equity holders of the Group, and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

3.22 Events after the Reporting Period

The Group identifies subsequent events as events that occurred after the reporting period but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Group's position at the reporting period, adjusting events, are reflected in the financial statements, while subsequent events that do not require adjustments, non-adjusting events, are disclosed in the notes to financial statements when material.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, Management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

4.01 Critical Judgments in Applying Accounting Policies

The following are the critical judgments, apart from those involving estimations that Management has made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognized in financial statements.

Distinction Between Property and Equipment and Investment Property

The Group determines whether a property qualifies as investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by the entity.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production of supply of goods and services or for administrative purposes.

The Group classified some of its land and building as investment properties. The carrying amounts of investment property amounted to P11,526,868,974 and P11,750,468,215 as at June 30, 2013 and December 31, 2012, respectively while the carrying amounts of property and equipment as at June 30, 2013 and December 31, 2012 are P12,457,787,199 and P10,527,097,054, respectively.

Application of Pooling of Interest Method

Business combinations under common control are outside the scope of PFRS 3, *Business Combinations*, and PFRSs has no other specific guidance in accounting for such transaction. In accounting for such transaction, the Management has applied all the requirements of applicable PFRS guidance, including applicable Interpretations, to attain fairness of presentation. Accordingly, the Management has used judgment in developing an accounting policy that is relevant and reliable. In line with this, the Management has also considered the most recent pronouncement of other standard-setting body that uses a similar conceptual framework in developing an accounting policy.

The Management has chosen the pronouncement of US and UK GAAP, which allows pooling of interest method in accounting for business combinations of entities under common control. However, the Management further decided not to restate the prior year balances in applying this method. Thus, the pooling of interest method was applied prospectively from the transaction date. Management believes that the elected policy is appropriate, given the circumstances, and will present fairly the consolidated financial statements of the Group.

Assessment of Control.

The Company determines whether an entity qualifies as a subsidiary when it has control over an entity. The company controls an entity when it has the three elements of control as disclosed in Note 2.02. In making its judgments, The Company considers all facts and circumstance when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

As of June 30, 2013, the Management assessed that there were no changes in the elements of control in each subsidiary as disclosed in Note 2.02.

4.02 Key Sources of Estimation Uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimating Useful Lives of Property, and Equipment and Investment Property

The useful lives of the Group's property and equipment and investment property are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; significant unexpected wear and tear; technological advancement; and changes in market prices since the most recent annual reporting date. The useful lives of the Group's assets are estimated based on the period over which the assets are expected to be available for use. In determining the useful life of an asset, the Group considers the expected usage, expected physical wear and tear, technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output and legal or other limits on the use of the Group's assets. In addition, the estimation of the useful lives is based on Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above.

Management assessed that there were no significant changes from the previous estimate. The carrying amounts of investment property amounted to P11,517,478,001 and nil as at June 30, 2013 and December 31, 2012, respectively, while the carrying amounts of property and equipment as at June 30, 2013 and December 31, 2012 amounted to P12,467,178,174 and P160,378,421, respectively.

Impairment of Trademarks and Customer Relationships with Indefinite Lives

The Group determines whether trademarks and customer relationships are impaired at least annually. This requires the estimation of the value in use of the trademarks and customer relationships. Estimating value in use requires management to make an estimate of the expected future cash flows from the cash generating unit and from the trademarks and customer relationships and to choose a suitable discount rate to calculate the present value of those cash flows.

The aggregate carrying amounts of trademarks and customer relationships with indefinite useful lives amounted to P4,599,113,528 as at June 30, 2013 and December 31, 2012.

Asset Impairment

The Group performs an impairment review when certain impairment indicators are present. Determining the fair value of property and equipment, investments and intangible assets, which require the determination of future cash flows expected to be generated from the continued use and ultimate disposition of such assets, requires the Group to make estimates and assumptions that can materially affect the financial statements. Future events could cause the Group to conclude that property and equipment, investments and intangible assets associated with an acquired business is impaired. Any resulting impairment loss could have a material adverse impact on the financial condition and results of operations.

The preparation of the estimated future cash flows involves significant judgment and estimations. While the Group believes that its assumptions are appropriate and reasonable, significant changes in the assumptions may materially affect the assessment of recoverable values and may lead to future additional impairment charges under PFRS.

As at June 30, 2013 and December 31, 2012, the aggregate carrying amount of non-financial assets is as follows:

	June 30, 2013	December 31, 2012
Property and equipment	P 12,467,178,174	P 160,378,421
Investment property	11,517,478,001	-
Intangible asset	17,801,419,626	-

Estimating Realizability of Deferred Tax Assets

The Group reviews the carrying amounts at each balance sheet date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the projected taxable income in the succeeding periods.

Deferred tax assets amounted to P21,279,316 and P5,075,324 as at June 30, 2013 and December 31, 2012, respectively.

Estimating Allowances for Doubtful Accounts

The Group estimates the allowance for doubtful accounts related to its trade receivables based on assessment of specific accounts where the Group has information that certain customers are unable to meet their financial obligations. In these cases judgment used was based on the best available facts and circumstances including but not limited to, the length of relationship with the customer and the customer's current credit status based on third party credit reports and known market factors. The Group used judgment to record specific reserves for customers against amounts due to reduce the expected collectible amounts. These specific reserves are re-evaluated and adjusted as additional information received impacts the amounts estimated.

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P20,581,380 and P9,778,505 as at June 30, 2013 and December 31, 2012, respectively.

Estimating Net Realizable Value (NRV) of Merchandise Inventory

The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The estimate of the NRV is reviewed regularly.

Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made of the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating events occurring after reporting date to the extent that such events confirm conditions existing at reporting date. The allowance account is reviewed periodically to reflect the accurate valuation in the financial records.

The carrying amount of inventory amounted to P8,645,693,327 and nil as at June 30, 2013 and December 31, 2012, respectively.

5. SEGMENT INFORMATION

Products and Services from which Reportable Segments Derive their Revenues

In prior years, segment information reported externally was analyzed on the basis of the types of goods supplied and services provided by the Groups's operating divisions. However, information reported to the Groups's chief operating decision maker for the purposes of resource allocation and assessment of segment performance is more specifically focussed on the types of goods or services delivered or provided. The Group's reportable segments under PFRS 8 are therefore as follows:

Retail	Includes selling of purchased goods to a retail market
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Oil storage	Includes buying and selling of petroleum products
Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

The following segment information does not include any amounts for discontinued operations.

Information regarding the Group's reportable segments is presented below.

Segment Revenue and Results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment Revenue		Segment Profit	
	2013	2012	2013	2012
Retail	P 5,864,368,590	P	P 564,677,906	P
Real estate	148,409,417		82,700,310	
Liquor distribution	291,314,329		48,370,487	
Oil storage	18,163,000		15,600,218	
Mining	960,635	2,501,948	(5,976,376)	(6,592,218)
Total	6,323,215,971		705,372,545	(6,592,218)
Investment revenue			33,990,843	8,010,077
Finance costs			(15,222,704)	
Profit before tax	P	P	P 724,140,684	P 1,417,859

Revenue reported above represents revenue generated from external customers and inter-segment sales broken down as follows:

	2013	2012
Retail		
From external customers	P 5,864,368,590	P -
From inter-segment sales	-	-
	5,864,368,590	-
Real estate		
From external customers	102,465,717	-
From inter-segment sales	45,943,700	-
	148,409,417	-
Liquor distribution		
From external customers	270,542,743	-
From inter-segment sales	20,771,586	-
	291,314,329	-
Oil storage		
From external customers	18,163,000	-
From inter-segment sales	-	-
	18,163,000	-
Mining		
From external customers	960,635	2,501,948
From inter-segment sales	-	-
	960,635	2,501,948
	P 6,323,215,971	P 2,501,948

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 3. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

No single customers contributed 10% or more to the Group's revenue for the periods ending June 30, 2013 and 2012.

Segment Assets and Liabilities

Below is an analysis of the Group's segment assets and liabilities:

	2013	2012
Segment Assets		
Retail	P 43,043,031,169	P
Real estate	18,231,398,613	
Liquor	1,778,727,167	
Oil storage	967,224,499	
Mining	7,934,786,181	1,378,819,017
Total segment assets	71,955,167,629	
Total assets	71,955,167,629	
Segment Liabilities		
Retail	13,766,723,759	
Real estate	5,506,184,860	
Liquor	628,437,602	
Oil storage	364,425,507	
Mining	5,543,569	2,992,333
Total segment liabilities	20,271,315,297	2,992,333
Total liabilities	P 20,271,315,297	P 2,992,333

For the purpose of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than investments in associates, financial assets, and tax assets. Assets used jointly by reportable segments are allocated on the basis of the revenue earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than financial liabilities, current and deferred tax liabilities and other liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.

Other Segment Information

Details about other segment information are as follows:

	Depreciation and Amortization		Additions to Non-current Assets	
	2013	2012	2013	2012
Retail	P 79,086,679	P -	P 29,869,207,036	P -
Real estate	11,738,904	-	15,822,052,345	-
Liquor	471,211	-	17,807,969	-
Oil storage	1,772,923	-	612,367,026	-
Mining	61,701	-	-	-
	P 93,131,418	P -	P 46,321,434,376	P -

Geographical Information

The group operates only in its domicile country or in a single geographical area. Revenue from external costumers amounted to P6,256,500,685 and P 2,501,948 for the periods ending June 30, 2013 and 2012, respectively. Non-current assets in this geographical location amounted to P89,318,084,154 and P359,273,170, as of June 30, 2013 and December 31, 2012, respectively.

6. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents include cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with maturities of three months or less from the date of acquisition and that are subject to an insignificant risk of change in value.

Cash and cash equivalents at the end of the reporting period as shown in the statements of cash flows can be reconciled to the related items in the consolidated statements of financial position as follows:

	June 30, 2013	December 31, 2012
Cash on hand	P 427,736,962	P 10,068
Cash in banks	1,582,808,900	8,113,747
Cash equivalents	13,915,045,270	990,581,584
	P 15,925,591,132	P 998,705,399

Cash in banks earn interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value. Finance income amounted P33,990,843 and P8,010,077 for the periods ended June 30, 2013 and 2012 respectively, as disclosed in Note 23

7. TRADE AND OTHER RECEIVABLES – net

The Group's trade and other receivables consist of:

	June 30, 2013	December 31, 2012
Trade receivables	P 1,761,013,093	P 3,194,378
Non-trade receivables	414,200,072	25,201,094
	2,175,213,165	28,395,472
Allowance for doubtful accounts	20,581,380	9,778,505
	P 2,154,631,785	P 18,616,967

Non-trade receivables represent amount due from suppliers for rentals, display, concession, demo sampling, interest, receivables from SC14 and others.

No interest is charged on trade receivables. Trade receivables disclosed above include amounts which are past due at the end of the reporting period but against which the Group has not recognized an allowance for doubtful receivables because there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

Included in the allowance for doubtful accounts are individually impaired trade receivables. The Group does not hold any collateral over these balances.

8. AVAILABLE-FOR-SALE FINANCIAL ASSETS

The Group's available-for-sale financial assets consist of:

	June 30, 2013	December 31, 2012
Investment in shares of stock	P 38,719,107	P 3,802,675
Investment in debt securities	16,140,000	37,200,000
	P 54,859,107	P 41,002,675

The listed equity securities above represent opportunities for return through dividend income and trading gains. Debt securities classified as available-for-sale represent investment in retail treasury bonds issued and guaranteed by the Republic of the Philippines time deposits.

9. INVENTORIES

This account consists of wines and spirits, groceries and other consumer products, i.e. canned goods, housewares, toiletries, dry goods, food products, wines, etc., held for sale in the ordinary course of business on wholesale and retail bases. Inventory cost as at comparative periods is lower than net realizable value.

The groups merchandise inventory as at June 30, 2013 and December 31, 2012 amounted to P8,645,693,327 and nil, respectively, as disclosed in Note 20.

Inventories amounting to P4,947,124,702 and P727,763 were recognized as expense for the six months period ending June 30, 2013 and 2012, respectively, as disclosed in Note 20

10. PREPAYMENTS AND OTHER CURRENT ASSETS

This account pertains to input vat, prepaid taxes, and other prepayments with carrying amounts aggregating to P1,619,222,696 and P2,223,481 as of June 30, 2013 and December 31, 2012, respectively

11. PROPERTY AND EQUIPMENT

The carrying amounts of the Group's property and equipment are as follows:

	Building	Furniture and fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Machinery and transportation equipment	Wells, platforms and other facilities	TOTAL
COST									
Balance as at January 1, 2012	P	P	P	P	P	P	P	P	P
Additions	-	-	1,934,365	206,115	-	-	4,976,754	204,955,281	212,072,515
Disposals	-	-	38,635	-	-	-	(1,036,895)	-	38,635
Balance as at December 31, 2012	-	-	1,973,000	206,115	-	-	3,939,859	204,955,281	211,074,255
Additional Effect of business combination	4,592,565,742	541,399,331	1,180,570,345	1,295,016,729	3,857,257,146	791,561,066	141,486,411	12,699	12,399,869,459
Balance as at June 30, 2013	4,592,565,742	541,399,331	1,182,543,345	1,295,222,844	3,857,257,146	791,561,066	145,426,270	204,967,980	12,610,943,724
ACCUMULATED DEPRECIATION									
Balance as at January 1, 2012	-	-	1,835,021	206,115	-	-	3,862,967	44,917,503	50,821,606
Depreciation and amortization	-	-	98,294	-	-	-	536,324	-	634,618
Disposals/Retirements	-	-	-	-	-	-	(760,390)	-	(760,390)
Balance as at December 31, 2012	-	-	1,933,315	206,115	-	-	3,638,901	44,917,503	50,695,834
Depreciation and amortization (Note 27)	55,144,622	6,500,780	14,175,541	15,549,741	-	-	1,698,879	152	93,069,716
Balance as at June 30, 2013	P 55,144,622	P 6,500,780 P	16,108,856 P	15,755,856 P	P -	P -	P 5,337,780 P	44,917,655 P	143,765,550

During the year, the Group carried out a review of the recoverable amounts of its property and equipment, no impairment loss was recognized.

12. INVESTMENT PROPERTIES

The carrying amounts of the Group's investment properties are as follows:

	Buildings		Land	Land and Building Improvement		Construction in progress	Leasehold improvements	Total
	P	-	P	-	P	-	P	P
January 1, 2013								
Cost		-	-	-	-	-	-	-
Accumulated depreciation		-	-	-	-	-	-	-
Carrying amount		-	-	-	-	-	-	-
Movements during 2013								
Balance, January 1, 2013		-	-	-	-	-	-	-
Additions from business combination	4,744,545,166		6,742,834,455		187,026	76,454,504	1,840,199	11,565,861,350
Depreciation (Note 27)	48,348,201		-		35,148	-	-	48,383,349
Balance, December 31, 2013	4,696,196,965		6,742,834,455		151,878	76,454,504	1,840,199	11,517,478,001
December 31, 2013								
Cost	4,744,545,166		6,742,834,455		187,026	76,454,504	1,840,199	11,565,861,350
Accumulated depreciation	48,348,201		-		35,148	-	-	48,383,349
Carrying amount	P 4,696,196,965		P 6,742,834,455		151,878	76,454,504	P 1,840,199	P 11,517,478,001

The investment properties are either leased to outside parties to earn rentals or held for capital appreciation the fair value of which cannot be ascertained as of reporting date since the market for comparable properties is inactive and alternative reliable measurement of fair value are not available. Management believes that carrying amounts approximates fair value.

During the year, the Group carried out a review of the recoverable amounts of its investment properties.

The property rental income earned by the Group from its investment properties, all of which is leased out under operating leases, amounted to P120,628,717 and nil for the periods ending June 30, 2013 and 2012, respectively. Direct operating expenses arising on the investment property that generated rental income during the period amounted to P33,525,048 and nil for the periods ending June 30, 2013 and 2012, respectively.

13. INTANGIBLE ASSETS – net

The carrying amounts of the Group's intangible assets follow:

	Goodwill	Trademark	Customer Relationship	Leasehold rights	Computer software	Total
January 1, 2013						
Cost	P -	P -	P -	P -	P -	-
Accumulated depreciation	-	-	-	-	-	-
Carrying amount	-	-	-	-	-	-
Movements during 2013						
Balance, January 1, 2013	-	-	-	-	-	-
Additions from business combination	13,147,336,776	3,709,660,547	889,452,981	54,759,147	215,212	17,801,424,662
Amortization	-	-	-	-	(5,036)	(5,036)
Balance, December 31, 2013	13,147,336,776	3,709,660,547	151,879	54,759,147	210,176	17,801,419,626
December 31, 2013						
Cost	13,147,336,776	3,709,660,547	889,452,981	54,759,147	215,212	17,801,424,662
Accumulated depreciation	-	-	-	-	(5,036)	(5,036)
Carrying amount	P 13,147,336,776 P	3,709,660,547	889,452,981	54,759,147 P	210,176 P	17,801,419,626

Trademark and Customer Relationships

The value of the trademark and customer relationship represent the purchase price of P16,477.73 million, which was determined after giving due consideration to various factors and valuation methodologies including the independent valuation study and analysis prepared by Punongbayan and Araullo, CPAs. The Group, after considering the said valuation methodologies, viewed the royalty relief (based on commercial rates) and multi-period excess earnings methodologies to be generally more relevant, compared to other methodologies that may be used to value the Company's trademarks and customer relationships, on the basis that such methodologies require fewer assumptions and less reliance on subjective reasoning since key assumptions come from primary sources based on the Company's filings and projections, actual industry precedents and industry common practice.

The recoverable amount of the trademark and customer relationship has been determined using cash flow projections covering a five-year period. It is based on a long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 10.66% growth rate used is consistent with the long-term average growth rate for the Company's industry. The discount rate applied to after tax cash flow projections is 9.71% as at December 31, 2012.

Management assessed that there is no impairment loss in the value of trademark and customer relationship in 2013.

Leasehold Rights

On January 25, 2013, one of the subsidiaries executed a memorandum of agreement with BHF Family Plaza, Inc. (BHF) which paved the way for the establishment of three Puregold store outlets in Pangasinan province previously owned and operated by BHF. Under the agreement, BHF agreed to sell to the Parent Company all merchandise inventories, equipments, furniture and fixtures as well as granting of rights to lease the buildings owned by BHF for a period of 20 years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Group recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

Goodwill

The goodwill represents the amounts recognized in the consolidated financial statements of one of the subsidiary which was taken in the Group's consolidated financial statements using the pooling of interest method:

Aggregate acquisition cost	P 17,631,639,736
Aggregate fair value of net assets acquired	4,484,302,960
Goodwill	P 13,147,336,776

14. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

This account pertains to the amounts deposited to an unincorporated entity, which is under the process of securing a license from the SEC, for the payment of stock subscription.

15. ACCOUNTS PAYABLE, ACCRUED EXPENSES AND OTHER LIABILITIES

This account consists of:

	June 30, 2013	December 31, 2012
Trade	P 3,935,753,251	-
Nontrade	2,871,237,335	2,261,859
Withholding taxes payable	78,390,635	-
Accrued expenses:		
Manpower agency services	811,017,890	-
Advances from concessionaires	353,454,099	-
Deposits	127,212,361	-
Utilities	101,952,402	-
Promotion fund	80,427,094	-
Rent	40,012,396	-
Gift cheques	33,309,024	-
Exclusive fund	26,306,273	-
Fixed asset acquisition	16,813,086	-
Output VAT - net	7,679,404	-
Interest	5,684,348	-
Professional fees	2,440,000	-
Others	84,320,438	287,003
	P 8,576,010,036	2,548,862

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Nontrade payables are liabilities of the Group arising from purchase of goods and services not intended for re-selling but essential to its operations.

16. LOANS PAYABLE

This account represents unsecured short-term loans from local banks to finance the Groups expansion program and working capital requirements. The principal and related interest is due monthly with interest rate ranging from 3.25% to 3.75 % per annum. These loans are negotiated at an agreed repayment period of 6 months to 1 year and renewable upon agreement of both parties.

Finance cost recognized for the periods ended June 30, 2013 and 2012 amounted to P15,222,704 and nil, respectively, as disclosed in Note 24.

There was no breach of loan agreement in both periods.

17. RELATED PARTY TRANSACTIONS

Remuneration of Key Management Personnel

The total compensation paid to key management personnel of the Group amounted to P10 million and P8 million for the six months ended June 30, 2013 and 2012, respectively. No special benefits are paid to management personnel other than the usual monthly salaries and government mandated bonuses.

18. ISSUED CAPITAL

The issued capital of the Group is as follows:

	2013		2012	
Capital stock	P	7,405,263,564	P	1,275,000,000
Additional paid-in capital		10,004,297,991		-
	P	17,409,561,555	P	1,275,000,000

Capital Stock

Shown below are the details on the movements of ordinary shares.

	2013		2012	
	Shares	Amount	Shares	Amount
Authorized	10,000,000,000	P 10,000,000,000	300,000,000,000	P 3,000,000,000
Issued and fully paid				
Balance, January 1	1,275,000,000	P 1,275,000,000	127,500,000,000	P 1,275,000,000
Issuances	6,130,263,564	6,130,263,564	-	-
	7,405,263,564	P 7,405,263,564	127,500,000,000	P 1,275,000,000

On December 10, 2012, in a special meeting, the Board of Directors (BOD) resolved the following:

- Approval, ratification and confirmation of the subscription of Lucio L. Co Group to the unissued authorized capital stock of the Group from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,682 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.
- That the Chairman and the President are authorized to represent the Group to implement and approve any matter related to the Transaction and directed to execute any and all agreements and documents relating to the Transaction, to negotiate, adjust, revise or change relevant conditions, implementation priority and all other relevant matters of the Transaction and sign and file documents which may be required by the SEC, PSE, and other government agencies and to do all actions necessary to comply with the provisions of the Corporation Code, Securities Regulation Code, and all other rules and regulations relating to the subject matter of this resolution.

- That the Group is authorized to register, if necessary, additional shares with the SEC and to list additional shares with the PSE.

On April 22, 2013, upon approval by the SEC on the increase in the Company's authorized capital stock, SEC confirmed the value of the shares transferred or consideration paid amounting to P74,811,096,315. Out of the increase in the authorized capital stock, 4,987,406,421 have been subscribed.

On December 11, 2012, in a special meeting, the stockholders resolved to approve the amendment of the Company's articles of incorporation to increase its authorized capital stock and par value from P3 billion divided into 300 billion common shares at a par value of P0.01 per share to P10 billion divided into 10 billion common shares at a par value of P1 per share. On the same meeting, the stockholders resolved to change the name of the Company to Cosco Capital, Inc. The SEC approved the increase in authorized capital stock and the change in the Company's name on April 22, 2013.

Additional Paid-in Capital - net

Reconciliation of additional paid-in capital as a result of consolidation is as follows:

APIC from original issuance	P	80,680,832,754
Share issue cost		(852,844,867)
APIC net of issue cost		79,827,987,887
Amounts eliminated from consolidation		(69,823,689,894)
	P	10,004,297,993

19. REVENUE

An analysis of the Group's revenue for the year from continuing operations is as follows:

	2013		2012	
Sale of goods	P	6,135,871,968	P	2,501,948
Rendering of services		120,628,717		-
	P	6,256,500,685	P	2,501,948

20. DIRECT COST

The Group's direct cost is composed of the following:

	2013		2012	
Cost of sales	P	4,947,124,702	P	727,763
Cost of services		33,771,517		-
	P	4,980,896,219	P	727,763

Cost of Sales

An analysis of the Group's cost of sales is as follows:

	2013		2012	
Inventory, January 1	P	-	P	-
Net purchases		13,592,818,029		727,763
Cost of goods available for sale		13,592,818,029		727,763
Inventory, June 30 (Note 9)		8,645,693,327		-
	P	4,947,124,702	P	727,763

Cost of services

An analysis of the Group's cost of services is as follows:

	2013		2012	
Utilities	P	26,112,221	P	-
Taxes and licenses		4,312,142		-
Management fees		1,046,385		-
Security services		644,231		-
Janitorial services		548,788		-
Operator services		46,468		-
Rentals		1,061,282		-
	P	33,771,517	P	-

21. OTHER OPERATING INCOME

An analysis of the Group's other operating income is as follows:

	2013		2012	
Concession income	P	102,545,630	P	-
Display allowance		70,881,232		-
Membership income		14,212,834		-
Miscellaneous		12,310,449		-
	P	199,950,145	P	-

22. OPERATING EXPENSES

	2013		2012	
Rent	P	147,257,522	P	-
Communication, light and water		127,889,996		-
Manpower agency services		121,704,752		-
Salaries and wages		83,344,010		3,628,718
Security services		46,759,052		-
Concession expense		29,618,032		-
Taxes and licenses		23,634,790		-
Janitorial and messengerial services		20,043,127		-
Store and office supplies		18,668,367		1,131,511
Repairs and maintenance		17,911,112		-
Insurance		7,988,993		-
Selling expense		7,426,960		-
SSS/Medicare and HDMF contributions		5,885,419		-
Disallowed input VAT		4,209,858		-
Transportation		3,833,189		-
Advertising and marketing		3,540,113		-
Retirement benefits cost (Note 24)		3,400,695		-
Fuel and oil		3,236,735		-
Royalty		2,436,715		-
Professional fee		2,009,680		-
Donations and contributions		639,860		-
Representation and entertainment		350,452		-
Bank charges		165,717		-
Miscellaneous		1,206,417		4,376,143
	P	683,161,564	P	9,136,372

23. OTHER INCOME - net

An analysis of other income (charges) is as follows:

	2013		2012	
Finance income (Note 6)	P	33,990,843	P	8,010,077
Finance cost (Note 16)		(15,222,704)		-
Foreign exchange gain		206,767		-
Others		5,904,148		-
	P	24,879,054	P	8,010,077

24. RETIREMENT BENEFIT COST

The Parent Company and its subsidiaries have a unfunded, noncontributory, defined benefit retirement plan covering all of their eligible employees. The plan provides for retirement benefits based on a certain percentage of the latest monthly salary of an employee per year of service.

Retirement benefits cost recognized in profit or loss by the Group amounted to P3.4 million for the six-month period ended June 30, 2013 and 2012, respectively.

The reconciliation of the liability recognized in the consolidated statements of financial position is shown below:

Present value of the defined benefit obligation	P 304,942,493
Unrecognized actuarial losses	(120,271,058)
Retirement benefits liability	P 184,671,435

The movements of the present value of the defined benefit obligation as at and for the six-month period ended June 30, 2013 is shown below:

Balance at beginning of year	P -
Benefit obligation of newly acquired subsidiaries	301,867,230
Current service cost	2,128,738
Interest cost	946,525
Balance at end of year	P 304,942,493

The amount of retirement benefits cost recognized in profit or loss for the six-month periods ended June 30 consists of:

Current service cost	P 2,128,738
Interest cost	946,525
Net actuarial loss recognized during the year	325,432
	P 3,400,695

Based on the actuarial valuation made, the principal actuarial assumptions at reporting date are as follows (expressed as percentages under weighted averages):

Discount rate	5.62%
Future salary increase	10.00%

The historical information of the amounts for the current period is as follows:

Present value of the defined benefit obligation	P 184,671,435
Experience adjustments on plan liabilities	-

25. OPERATING LEASE AGREEMENTS

The Group as Lessee

Operating leases relate to leases of equipment's, warehouse and office space with lease terms of between 1 to 50 years and renewable thereafter upon mutual agreement of both parties.

As of the reporting dates, the Groups future minimum lease payments for non-cancellable operating leases is as follows:

	2013		2012	
Not later than one year	P	1,107,799,536	P	924,269
Later than one year but not later than five years		1,989,681,874		192,556
Later than five years		8,654,851,007		-
	P	11,752,332,417	P	1,116,825

The Group as Lessor

Operating leases relate to the investment property owned by the Group with lease terms of between 1 to 50 years and renewable upon mutual agreements between both parties. Leases are generally entered based on a fixed price contract except for some agreement which is based on monthly sales or a certain fixed amount, whichever is higher.

The property rental income earned by the Group from its investment property, all of which is leased out under operating leases, amounted to P120,628,717 and nil for the periods ended June 30, 2013 and 31, 2012, respectively, as disclosed in Note 11. Rental income recognized includes an insignificant amount of income from contingent rent. Direct operating expenses arising on the investment property amounted to P33,771,517 and nil for the periods ended June 30, 2013 and 2012, respectively.

As of June 30, 2013 and December 31, 2012, the Group's future minimum lease for non-cancellable operating leases is as follows:

	2013		2012	
Not later than one year	P	1,286,946,256	P	-
Later than one year but not later than five years		2,185,934,491		-
Later than five years		8,730,846,667		-
	P	12,203,727,414	P	-

26. DEPRECIATION AND AMORTIZATION

Details on the depreciation and amortization of the Group's properties are presented below:

	2013		2012	
Depreciation of property and equipment	P	93,126,381	P	-
Amortization of intangible assets		5,036		-
	P	93,131,417	P	-

27. EARNINGS PER SHARE

The Group's basic and diluted earnings per share are presented below:

Basic Earnings per Share

The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share for the quarter ended are as follows:

	2013	2012
Income (loss) attributable to the equity holders of the Parent Company (a)	311,182,062	1,417,859
Adjusted weighted average number of shares outstanding (b)	2,296,710,594	69,810,881,339
Basic and diluted earnings (loss) per share (a/b)	0.1355	0.00002031

28. FAIR VALUE MEASUREMENTS

Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as of December 31, June 30, 2013 and December 31, 2012 are presented below:

	June 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets:				
Cash in banks and cash equivalents	P 15,497,854,170	P 15,497,854,170	P 998,695,331	P 998,695,331
Receivables	2,154,631,785	2,154,631,785	18,616,967	18,616,967
Available-for-sale financial assets	54,859,107	54,859,107	41,002,675	41,002,675
Deposit for future stock subscription	300,000,000	300,000,000	-	-
	18,007,345,062	18,007,345,062	1,058,314,973	1,058,314,973
Financial Liabilities:				
Accounts payable, accrued expenses and other liabilities	8,576,010,036	8,576,010,036	2,548,862	2,548,862
Loans Payable	7,768,731,450	7,768,731,450	-	-
	P 16,344,741,486	P 16,344,741,486	P 2,548,862	P 2,548,862

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of available-for-sale financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Due to short-term nature or demand feature of cash in banks and equivalents, receivables, deposit for future stock subscription, and accounts payable, accrued expenses and other liabilities, Management believes that carrying amount approximates fair value.

- Loans payable pertains to interest bearing loan arrangement, thus, carrying amount approximates fair value.

Fair Value Measurements Recognized in the Statement of Financial Position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Available-for-sale financial assets are measured at fair value using the level 1 criteria.

There were no transfers between Level 1 and 2 in the period.

29. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group monitors and manages the financial risks relating to the operations through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, including currency risk, fair value interest rate risk and price risk, credit risk, liquidity risk and cash flow interest rate risk.

The Group's principal financial instruments, other than derivatives, comprise of cash and cash equivalents, short-term investments, investments held for trading, accrued interest and other receivables, AFS investments and bank loans. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as rent receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group's BOD and management review and agree on the policies for managing each of these risks as summarized below.

Market Risk Management

Foreign Currency Risk Management

The Group undertakes transactions denominated in foreign currencies; consequently exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters through monitoring foreign currency transactions utilizing forward contracts if necessary.

As of the reporting dates, the Group has no significant exposures to foreign currency risk.

Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The carrying amount of financial assets recognized in the financial statements, which is net of impairment losses, represents the Group's maximum exposure to credit risk, without taking into account collateral or other credit enhancements held.

	June 30, 2013		December 31, 2012	
Cash in banks and cash equivalents	P	15,497,854,170	P	998,695,331
Receivables		2,154,631,785		18,616,967
Available-for-sale financial assets		54,859,107		41,002,675
Deposit for future stock subscription		300,000,000		-
	P	18,007,345,062	P	1,058,314,973

The table below shows the credit quality by class of financial assets of the Group:

2013					
Neither Past Due nor Impaired					
	High Grade		Low Grade		Total
Cash in banks and cash equivalents	P	15,497,854,170	P	-	P 15,497,854,170
Receivables		2,154,631,785		20,581,380	2,175,213,165
Available-for-sale financial assets		54,859,107		-	54,859,107
Deposit for future stock subscription		300,000,000		-	300,000,000
	P	18,007,345,062	P	20,581,380	P 18,027,926,442
2012					
Neither Past Due nor Impaired					
	High Grade		Low Grade		Total
Cash in banks and cash equivalents	P	998,695,331	P	-	P 998,695,331
Receivables		18,616,967		9,778,505	28,395,472
Available-for-sale financial assets		41,002,675		-	41,002,675
	P	1,058,314,973	P	20,581,380	P 1,068,093,478

Cash in banks and cash equivalents

The management evaluates the financial condition of the banking industry and bank deposits/investments are maintained with reputable banks only.

Receivables

Receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

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

Advances to related parties

The Group limits its exposure to credit risk by only financing the operations of related parties that have viable operations.

Liquidity Risk Management

Liquidity risk pertains to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by forecasting projected cash flows and maintaining a balance between continuity of funding and flexibility. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational and working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements of the Group:

	Within 1 Year	1 – 5 Years	Total
June 30, 2013			
Accounts payable, accrued expenses and other liabilities	P 8,576,010,036	P	P 8,576,010,036
Loans payable	4,805,031,450	2,963,700,000	7,768,731,450
Advances from related parties	151,424,718		151,424,718
	13,532,466,204	2,963,700,000	16,496,166,204
December 31, 2012			
Accounts payable, accrued expenses and other liabilities	P 2,548,862	P -	P 2,548,862

The following table details the Group's expected maturity for its non-derivative financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	Within 1 Year		1 – 5 Years		Total	
June 30, 2013						
Cash in banks and cash equivalents	P	15,497,854,170	P	-	P	15,497,854,170
Receivables		2,154,631,785		20,581,380		2,175,213,165
Available-for-sale financial assets		54,859,107		-		54,859,107
Deposit for future stock subscription		300,000,000		-		300,000,000
		18,007,345,062		20,581,380		18,027,926,442
December 31, 2012						
Cash in banks and cash equivalents		998,695,331	P	-	P	998,695,331
Receivables		18,616,967		9,778,505		28,395,472
Available-for-sale financial assets		41,002,675		-		41,002,675
	P	1,058,314,973	P	20,581,380	P	1,068,093,478

30. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

The Group manages its capital to ensure that the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group sets strategies with the objective of establishing a versatile and resourceful financial management and capital structure. The group's overall strategy remains unchanged from 2012.

The BOD monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity. The BOD also monitors the level of dividends to shareholders.

The BOD seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. The Group defines capital as equity, which includes capital stock, additional paid-in capital and retained earnings. The Group is not subject to externally-imposed capital requirements.

The Group's Management reviews the capital structure of the Group on an annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio of 1:1 determined as the proportion of net debt to equity.

The gearing ratio at end of the reporting period was as follows:

	2013	2012
Debt	P 19,576,910,299	P 2,992,333
Cash and cash equivalents	15,925,591,132	998,705,399
Net Debt	3,651,319,167	(995,713,066)
Equity	104,848,979,048	1,375,826,684
Net debt to equity ratio	0.03:1	(0.72):1

Debt is defined as long- and short-term borrowings (excluding derivatives and financial guarantee contracts), while equity includes all capital and reserves of the Group that are managed as capital.

31. PFRS 9 RESULT OF IMPACT EVALUATION

The following discusses the quantitative and qualitative result of the impact evaluation on PFRS 9 (2009) or (2010)

The carrying amount of all financial assets that the company has as of June 30, 2013 and December 31, 2012 are as follows:

Financial Assets	Balance as of December 31, 2012	Balance as of June 30, 2013 (Php)	Qualitative Description	Quantitative Impact
Cash and cash equivalents	998,705,399	15,925,591,132	Cash equivalents refer to short term placements in time deposits and SDA in various banks.	Market values. Carrying amount approximates fair value primarily due to the relative short-term maturities of these assets.
Receivables, net	18,616,967	2,154,631,785	Receivables refer to pro-rata share on amount due from SC 14 partner who defaulted on payment of its share in the development of the field	Currency risk. Sensitivity analysis. The company has less than US\$550,000 currency in its books. With such amount for every P1 appreciation in Php against US\$ would have been increase in income by P550,000 and vice versa. This is only .06% change in total assets.
AFS financial assets	41,002,675	54,859,107	These refer to debt, equity securities and RTB's with interest ranging from 4.8% to 7.5%. All these securities are tradeable.	Liquidity risk. Liquidity ratio is 196:1 Aging of receivables: Based on aging of receivables of P9.7M is impaired. Nonetheless, this has already been covered by setting up allowance.
Total	1,060,548,522	18,139,082,024		

SECTION B
(Supplemental Information – Pro-forma
Interim Consolidated Statements of Financial
Position and Income Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2013 AND 2012

Contents

Pro-forma Interim Consolidated Statements of Financial Position
As at June 30, 2013 and December 31, 2012

Pro-forma Interim Consolidated Statements of Income
For the Period Ended June 30, 2013 and 2012
For the Quarter Ended June 30, 2013 and 2012

Segment Information

COSCO CAPITAL, INC. AND SUBSIDIARIES*(Formerly Alcorn Gold Resources Corporation)***PRO-FORMA INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at June 30, 2013 and December 31, 2012

(in Philippine Peso)

	2013	2012
A S S E T S		
Current Assets		
Cash and cash equivalents	15,925,591,132	10,701,413,545
Receivables - net	2,154,631,785	2,481,547,715
Inventories	8,645,693,327	7,135,304,042
Prepaid expenses and other current assets	1,619,222,697	1,428,434,748
	28,345,138,941	21,746,700,050
NONCURRENT ASSETS		
Noncurrent Assets		
Property and equipment - net	12,467,178,174	10,527,097,054
Investment properties	11,517,478,001	11,750,468,215
Intangible assets	17,801,419,626	17,432,364,788
Available-for-sale financial assets	54,859,107	50,571,603
Deferred oil and mineral exploration costs	150,887,444	150,157,792
Deferred tax assets - net	21,279,316	39,914,726
Deposit for future stock subscription	300,000,000	-
Others	1,292,466,191	1,184,082,011
	43,605,567,860	41,134,656,189
TOTAL ASSETS	71,950,706,801	62,881,356,239

LIABILITIES AND EQUITY**LIABILITIES****CURRENT LIABILITIES**

Accounts payable, accrued expenses and other liabilities	8,576,010,036	11,474,118,414
Income tax payable	346,214,574	500,238,275
Loans payable and current portion of long-term debts	4,805,031,450	4,677,665,128
	13,727,256,061	16,652,021,817

NONCURRENT LIABILITIES

Retirement benefits liability	184,671,435	163,539,273
Deferred tax liabilities	998,675,438	1,059,363,917
Long term debts - net of current portion	2,963,700,000	4,909,071,263
Others	1,687,416,800	1,309,098,914
	5,834,463,673	7,441,073,367

Total Liabilities	19,561,719,733	24,093,095,184
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EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY**Equity**

Capital stock	7,405,263,564	6,262,406,421
Additional paid-in capital	10,028,077,059	23,625,110
Treasury stock	(633,163,753)	(284,782,629)
Cumulative unrealized gain on AFS financial assets	2,623,692	2,623,692
Retained earnings	21,240,797,904	19,307,492,511

Total Equity Attributable to Equity Holders of Parent Company	38,043,598,465	25,311,365,105
Non-controlling interest	14,345,388,603	13,476,895,950
	52,388,987,068	38,788,261,055

TOTAL LIABILITIES AND EQUITY	71,950,706,801	62,881,356,239
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COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
PRO-FORMA INTERIM CONSOLIDATED INCOME STATEMENTS

(In Philippine Peso)

	For the six months ended June 30	
	2013	2012
REVENUES	35,074,267,308	24,401,569,259
COST OF SALES <i>(excluding depreciation and amortization)</i>	28,469,004,376	20,536,786,280
GROSS PROFIT <i>(before depreciation and amortization)</i>	6,605,262,932	3,864,782,978
OTHER OPERATING INCOME	1,003,907,704	651,816,026
	7,609,170,636	4,516,599,005
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	3,947,731,821	2,660,150,316
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>	3,661,438,815	1,856,448,688
OTHER INCOME (CHARGES) - net	105,654,847	(115,286,384)
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	3,767,093,662	1,741,162,304
DEPRECIATION AND AMORTIZATION EXPENSE	529,636,213	386,357,180
INCOME BEFORE INCOME TAX	3,237,457,449	1,354,805,124
INCOME TAX EXPENSE	870,224,000	435,111,696
NET INCOME FOR THE PERIOD	2,367,233,449	919,693,428
Net Income Attributable to:		
Equity holders of the Parent Company	1,498,740,796	413,295,810
Non-controlling interests	868,492,653	506,397,619
	2,367,233,449	919,693,428

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
PRO-FORMA INTERIM CONSOLIDATED INCOME STATEMENTS

(In Philippine Peso)

	For the three months ended June 30	
	2013	2012
REVENUES	17,911,045,967	13,053,564,813
COST OF SALES <i>(excluding depreciation and amortization)</i>	14,587,323,091	10,970,790,825
GROSS PROFIT <i>(before depreciation and amortization)</i>	3,323,722,876	2,082,773,989
OTHER OPERATING INCOME	512,009,918	363,454,926
	3,835,732,794	2,446,228,915
OPERATING EXPENSES <i>(excluding depreciation and amortization)</i>	2,028,966,710	1,410,923,495
INCOME FROM OPERATIONS <i>(before depreciation and amortization)</i>	1,806,766,085	1,035,305,420
OTHER CHARGES - net	2,329,976	52,481,393
INCOME BEFORE DEPRECIATION AND AMORTIZATION AND INCOME TAX	1,804,436,108	982,824,027
DEPRECIATION AND AMORTIZATION EXPENSE	272,838,143	203,420,557
INCOME BEFORE INCOME TAX	1,531,597,965	779,403,470
INCOME TAX EXPENSE	427,311,302	239,246,208
NET INCOME FOR THE PERIOD	1,104,286,663	540,157,262
Net Income Attributable to:		
Equity holders of the Parent Company	707,087,174	263,370,506
Non-controlling interests	397,199,489	276,786,756
	1,104,286,663	540,157,262

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

Segment Information

	Retail	Real Estate	Liquor Distribution	Holding Co., Oil and Mining	Elimination	Total
<i>(In thousands)</i>						
Six Months Period Ended June 30, 2013						
Revenue	33,017,255	874,195	1,402,178	102,599	-321,959	35,074,267
Income from operations before depreciation and amortization	2,778,294	545,322	258,515	79,308		3,661,439
Depreciation and amortization and amortization	444,700	71,533	2,704	10,699		529,636
Finance cost	18,701	58,023	5,031			81,755
Finance income	141,488	1,079		32,367		174,934
Net income for the period	1,772,434	316,313	172,827	105,659		2,367,233
As at June 30, 2013						
Total current assets	12,613,906	2,409,103	1,761,210	12,270,516	-709,596	28,345,139
Total non-current assets	30,429,125	15,822,296	17,517	76,060,560	-78,723,931	43,605,568
Total current liabilities	8,377,058	5,088,605	622,046	349,143	-709,596	13,727,256
Total non-current liabilities	5,389,666	417,580	6,392	20,826		5,834,464
Six Months Period Ended June 30, 2012						
Revenue	23,275,418	321,133	966,045	2,282	-163,309	24,401,569
Income (loss) from operations before depreciation and amortization	1,709,335	102,694	55,873	-11,454		1,856,449
Depreciation and amortization expense	294,101	91,170	955	132		386,357
Finance cost	3,190	151,231	14,204	964		169,589
Finance income	37,908	20		10,679		48,606
Net income (loss) for the period	1,033,465	-139,687	26,396	-480		919,693
As at June 30, 2012						
Total current assets	16,493,677	2,954,464	1,717,450	1,384,084	-802,974	21,746,700
Total non-current assets	28,061,252	16,041,378	18,464	939,502	-3,925,939	41,134,656
Total current liabilities	9,887,498	8,852,615	763,309	402,674	-3,254,074	16,652,022
Total non-current liabilities	7,163,561	253,813	6,392	32,100	-14,793	7,441,073