cosco capital

incorporated

Shaping Lives
through Solid Performance

ANNUAL REPORT
2015

About the Cover

Shaping Lives through Solid Performance

Cosco Capital, Inc. is part and parcel of Filipinos' daily lives. Be it in the field of Retail, Real Estate, Liquor Distribution, Oil and Mineral Exploration among others, Cosco is present everywhere to uplift and improve our wellbeing.

This cover design communicates Cosco as a partner of the Filipino family's growth, for life. The image of parents with their child shows triumph and success not just for the few, but for every stakeholder in the community.

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Corporate Overview

Cosco Capital, Inc. is one of the leading retail holding companies in the Philippines today. With investments in top retail establishments, liquor distribution, commercial real estate, and oil and minerals, it is well-positioned to grow further and to take advantage of every opportunity that comes its way.

The year 2015 was highlighted by continued expansion, as the group's different business segments acquired more assets and grew their coverage and network. The country's sustained economic growth, and a robust consumer sector, only makes the conglomerate's outlook brighter. Management remains focused on core target markets for each of its brands, and on the sustainable and long-term growth of the company. All stakeholders remain confident in the company's visible growth pipeline for the next five years.

Cosco's consolidated revenues for the year grew by 18% to P116.75 billion as the grocery retail, specialty retail, and liquor distribution segments contributed significantly to the company's upward trend. Net profit for 2015 was also up 12%, reaching P6.99 billion for the year.

Looking into the specific business areas, the grocery retail segment continued to rollout new stores in 2015 through organic geographic expansion and acquisitions. Puregold opened 27 new stores, while S&R opened a new warehouse in Laguna and an additional 10 New York Style Pizza Quick Service Restaurants last year. The group also acquired nine NE Bodega stores and eight Budgetlane stores, each adding around 15,000 sqm. and 18,000 sqm. of net selling area (NSA) respectively.

"The year 2015 was highlighted by continued expansion, as the group's different business segments acquired more assets and grew their coverage and network. Management remains focused on core target markets for each of its brands, and on the sustainable and long-term growth of the company."

All in all, grocery retail was operating up to 281 stores in 2015, with a consolidated NSA of more than 426,000 sqm.

Consolidated net sales for the grocery retail segment also expanded by 14.7% to P97.17 billion last year. Gross profit on the other hand, grew by 11.8%, with gross profit margin posted at 17.0%. Consolidated net income for the year rose by 10.6% to P5 billion.

While the grocery retail business exceeded expectations in 2015, the road ahead remains promising. Puregold looks to sustain consolidated gross and net profit margins in 2016, while lowering inventory days further to between 45 to 50 days. Consolidated net sales are targeted to grow by up to 15%, as the group will continue to pursue acquisitions and expand into new geographic locations.

Cosco's liquor and spirits business also turned in a strong year, with Montosco, Inc., Premier Wines & Spirits, and Meritus Prime Distributors, Inc. carrying global brands from Bacardi, to Cuervo, Alfonso, Johnnie Walker and many more.

Revenues from liquor distribution grew by 17% in 2015, reaching P5.68 billion by the end of the year. Net profit was also up 9% to P660 million as the group continued to launch aggressive sales and marketing campaigns throughout the year.

The commercial real estate segment on the other hand, continued to grow with six new commercial property acquisitions in 2015 – bringing the total to 38 properties with a gross leasable area (GLA) of 414, 405 sqm. Revenues for the group totaled P2.42 billion last year, up 10% from the previous year. Net profit also grew to P1.03 billion.

The specialty retail segment, made up of brands Liquigaz and Office Warehouse, also had its fair share of highlights for the year. Liquigaz is the second largest supplier of Liquefied Petroleum Gas (LPG) in the Philippines. It sold a volume of 423,151 metric tons in 2015, operating in the wholesale, commercial, industrial, autogas and cylinders business segments. Liquigaz expanded further through the acquisition of the G&G and Velgas refilling tanks last year.

Office Warehouse opened 11 more stores in 2015, with its 59 stores totaling a net selling area of 11,036 sqm. 63% of its outlets are mall based while 37% are stand alone stores.

The specialty retail segment recorded revenues of P13.16 billion in 2015, with a net profit of P508 million for the year.

It has certainly been a year of positives for the group, which has been made possible by the support of Cosco's partners and stakeholders. From management to staff, it is the team's passion for excellence that carries it to greater heights year in and year out. Cosco is primed and ready for success today and well into the future.

Message from the Chairman

"We have made significant progress throughout the year in developing new business, and are positioned to benefit from our core business as well. We continue to diversify into new markets, while providing incentives and rewards to our ever growing stakeholders."

Mr. Lucio L. Co
Chairman
Cosco Capital, Inc.

Lucio L. Co
Chairman

Leonardo B. Dayao
President

Message from the President

Cosco Capital, Inc. is pleased to report another banner year in 2015. The various business units continue to achieve growth, driven by internal expansion and strategic acquisitions.

In the process, each business unit reported record volume and profitability.

Business Highlights

Cosco's flagship subsidiary Puregold Price Club, Inc. is proud to report the opening of a total of 54 new retail units broken down as follows:

Puregold Stores	27
S&R Warehouse Store	1
QSR (Food Service Restaurant)	10
Convenience Stores (LAWSON)	16
TOTAL	54

In addition to the above new stores locations, Puregold acquired two (2) chains of supermarkets, a nine (9) chain operating in Nueva Ecija and an eight (8) chain operating in Eastern Rizal Province during the year. Most of the new Puregold stores were opened outside of Metro Manila,while the new S&R Warehouse Store was opened in Nuvali Sta. Rosa Laguna. The new QSR and Lawson Stores on the other hand,are located in Metro Manila's various shopping malls.

Our Real Estate Group, whose main business is commercial property leasing, also reported growth in its leasable space portfolio.

Ellimac Prime Holdings, Inc. increased its number of properties with the acquisition of two (2) existing malls, namely RFC Malls in Las Piñas, and Maunlad Malls in Malolos, Bulacan. These properties will undergo renovation and leasehold improvements to further grow its occupancy and rental rates.

The group also acquired four (4) commercial properties in Nueva Ecija and Baler Aurora. It is worthy to note that in all four locations, Puregold remains the anchor tenant -- operating either as a hypermart or a supermarket.

Overall, Cosco's real estate business has a total of 38 properties with a gross leasable area (GLA) of 414,405 square meters. This is up 9% from 2014.

Let's now look into the Wine and Liquor Distribution business.

This segment continues to hold the lead in the Premium Wine and Liquor distribution field. It accounts for a dominant share of the market, estimated at over 90%. As such, it is the distributor of major brands such as Alfonso, Johnnie Walker, Bacardi, Smirnoff, Patron, Brown Forman and other well-known imported names.

Our LPG business on the other hand maintained its strong market presence by accounting for over 30% of the total volume on a national basis.

While our LPG business is predominantly wholesale, Liquigaz Corporation of the Philippines initiated significant efforts to grow the downstream segment, i.e. refilling, cylinder sales, commercial and industrial. It has acquired two (2) refilling plants and several new accounts in the commercial industrial markets during the year.

Our retail brand Office Warehouse also grew during the year. It now has a total of 59 stores as of end 2015, up from 48 in 2014.

"Cosco's financial performance was driven by positive contributions from all its business segments. The group aims to further expand its reach as it continues to roll-out more retail units via organic geographic expansion and acquisitions."

Financial Highlights

Cosco's consolidated revenues rose 18% to P116.75 Billion in 2015, up from P97.17 Billion in the previous year. Its consolidated net income reached P6.99 Billion from P6.24 Billion in 2014, representing a growth of 12%.

On the other hand, net income net of minority interest grew by 12% to P4.490 Billion from P4.027 Billion in 2014.

Cosco's financial performance was driven by positive contributions from all its business segments, led by the retail business and Liquigaz. Likewise, real estate, wine and liquor distribution, as well as Office Warehouse all delivered profitable operations.

Cosco Capital, Inc. aims to further expand its reach as it continues to roll-out more retail units via organic geographic expansion and acquisitions.

Moving forward, we will continue to look at investments in other retail business -- especially those that have potential synergies with our existing operations.

With the support of the Board and of our stakeholders, the Management is confident that Cosco will continue to serve the needs of the Filipino consumers, and simultaneously deliver healthy returns for our shareholders.

Thank you.

Mr. Leonardo B. Dayao
President
Cosco Capital, Inc.

Grocery RETAIL

Excelling at the Fundamentals

Cosco Capital, Inc. saw a 12% increase in its net profit last year to a record P4.49 billion, mainly fueled by the strong performance of its pioneer grocery business segment.

Cosco opened 27 new Puregold Price Club, Inc. stores, 1 S&R Warehouse, and 10 S&R New York Style Pizza Quick Service Restaurants (QSRs). In addition to these, Cosco acquired 9 NE Bodega stores and 8 BudgetLane stores.

In total, Cosco was operating 281 stores in 2015, excluding NE Bodega and BudgetLane, with a consolidated net selling area of more than 426,000 sqm. The new NE Bodega and BudgetLane acquisitions added even more selling space, each with 15,000 sqm. and 18,000 sqm. respectively.

PUREGOLD

A Corporate Flagship

Puregold Price Club, Inc. , a giant retail chain, was introduced in 1998 with its first store opening in Mandaluyong City. In 2001, Puregold continued to grow through the years, and introduced new products and services such as its flagship customer reward program called Tindahan ni Aling Puring in 2004.

In 2008, Puregold Jr. Supermarket was introduced as a store format in a smaller space that carries a wide range of domestic needs. Establishing its leadership by 2010, the Company introduced Puregold Extra which is an even smaller format than Puregold Jr. With the presence of both Puregold Jr. and Puregold Extra, the Company saw a significant increase in its overall sales as well as expansion of its network.

Year 2015 proved to be a banner year for the Company's operations and expansion program both in terms of organic growth as well as strategic acquisitions. Puregold opened 27 new organic stores including 8 stores in Visayas and Mindanao and 8 stores in the Northern and Southern Luzon regions. Puregold also acquired 2 supermarket chains, NE Bodega and BudgetLane brands, operating a total of 17 supermarkets.

The growing chain currently operates 272 stores as of end 2015. While the majority of these outlets are scattered throughout Luzon and the Greater Manila Area, Puregold has further expanded its presence in the Visayas and Mindanao, with plans for even greater expansion set for 2016.

	PUREGOLD	PUREGOLD Jr.	PUREGOLD Extra
STORES	134	93	28
SKU	30K - 50K	5k - 8k	1.5k - 2k
SELLING AREA	3,000 sqm.	900 sqm.	400 sqm.

as of end 2015

255 Total Puregold Stores as of 2015

1.3M Purchase requirement for Gold Membership in TNAP

S&R
Membership Shopping
The world class shopping experience

World-Class Capability

Officially acquired by the Co family in 2006, S&R is a membership-shopping club modeled after the warehouse membership shopping chains introduced in the United States.

S&R's core concept is to deliver significant value to member-customers through an effective and efficient system anchored on aggressive buying, low-cost distribution, and streamlined operations.

S&R offers an extensive selection of items from poultry, seafood, fresh fruits and vegetables, fresh bakery, and wellness & beauty. In addition to this, S&R also provides special automotive and hardware services for minor automotive repairs.

Catering to the upscale segment and serving the A, B and upper C market, S&R currently operates 10 membership stores located at Bonifacio Global City (BGC), Congressional, Alabang, Shaw, Imus, Aseana-Baclaran, Cebu, San Fernando (Pampanga), Davao, and Nuvali.

2015 has been a milestone year for S&R, as it opened its 10th warehouse store in Nuvali, Sta. Rosa, Laguna. Furthermore, 10 QSR food outlets were also opened in different locations throughout Metro Manila.

Staying true to its promise, S&R aims to establish two (2) new warehouse club outlets every year within the next five years to expand its network and to continuously offer unmatched savings and value for membership.

Specialty RETAIL

An Added Dimension to Serve Your Needs

Cosco continues to expand its portfolio as it ventured into specialty retail, immediately establishing a solid track record with two industry leaders: Liquigaz Philippines Corporation and Office Warehouse, Inc. These inroads into non-food businesses, have added diversity to the company's stable of strong performers.

The specialty retail segment also serves as a catalyst for more revenues and savings within the group, as it now has the capability to supply the LPG and office solutions needs of its own retail companies.

While both companies just began operations under Cosco's wing in 2014, the group's performance has been exemplary. Revenues in 2015 grew from P8.73 billion to P13.16 billion. Net profit was also up to P508 million from P132 million in the previous year.

This is only the beginning for Cosco's specialty retail business. The company seeks to take full advantage of synergies and growth opportunities on the way to a brighter future.

"Revenues in 2015 grew from P8.73 billion to P13.16 billion. Net profit was also up to P508 million from P132 million in the previous year."

Established in 1998, Office Warehouse has been an everyday provider of office solutions to many small and medium businesses, and small office, home office (SMBs and SOHOs). It also serves the educational market.

Office Warehouse offers office and school supplies, furniture and a wide range of technology products suited for everyday office and school needs both in retail outlets and through online shopping. It is a partner consultant to small and medium enterprises when it comes to quality, cost-efficient and value-adding office solutions. With 59 stores located in major business districts mostly in Metro Manila, Office Warehouse saves customers' time, money, and energy so they can focus on running their own businesses.

Cosco Capital's acquisition of Office Warehouse in 2014 was effective in extending the group's reach into the non-food consumer business. Much has been accomplished in the last two years, but much potential for growth and new business remains for the company.

A Strong 2015

The company posted a growth of 25% on net revenues versus the previous year. As of the end of 2015, Office Warehouse was operating 59 stores, 63% are mall based and 37% stand-alone stores: 53 stores located in Metro Manila and 4 in Laguna and 2 in Cavite. Net selling area at the end of the year reached 11,036 sqm.

During the year, Office Warehouse embarked on organizational and systems improvements, such as employment of more professional managers, acquisition of high-capacity computer server, enhancement of delivery fleet, among others. All these investments contributed significantly to the chain's impressive performance in 2015.

Harnessing Potential

Moving forward, Office Warehouse remains focused on key growth strategies that will help it retain and build on its market share.

It will continue to establish more stores in strategic locations, while maintaining strong relationships with partners and suppliers.It will also aggressively pursue its on-line marketing and strengthen its customer base through its loyalty program. The company will also keep the cost of goods down through direct imports from Europe and Asia. This will in turn keep prices low and quality high. It will continue to offer exclusively world famous brands to keep it differentiated from the competition.

As it gears for growth, Management is also constantly reviewing and upgrading the company's technologies, systems and processes, to keep up with the latest industry trends and best practices.

Office warehouse is passionate about its products and services, and most importantly about the wellbeing of its customers. It will continue to work hard to provide effective business solutions to the market, as it maintains its 2016 sales growth with a projection of 16.5% .

Liquigaz Philippines Corporation began its operations in 1995 as a wholly owned subsidiary of SHV Netherlands up until July 21, 2014, when the strategic acquisition of Liquigaz by Cosco, through a partner holding company, materialized. This paved the way for Cosco's diversification into a robust liquefied petroleum gas (LPG) business which has contributed significantly to the company's success.

While the LPG business at first glance seems unrelated to Cosco's other interests, Liquigaz is actually an integral part of Cosco's strategic business acquisitions plan. The new and improved Liquigaz was infused with a strong management team and effective cost management policies, which soon resulted in gains in volumes and revenues.

Liquigaz's main business of importation and distribution of LPG, through the lease of its refilling plants and tanks, continued to grow in 2015. The company maintained its lead as the biggest LPG importer for the Philippines, supplying energy to the market and also serving as a wholesaler to other competing brands. To date, it has retained its position as the 2nd largest in LPG supplier last year, and increased its market share to 28% in the LPG market.

Liquigaz Infrastructure

Liquigaz's main import terminal in Mariveles, Bataan is the largest input terminal facility in the country, with a 12,000 metric ton capacity. There are two hubs strategically located to cover the major markets of Luzon: the North Hub with 75 metric ton capacity located in Meycauayan, Bulacan to service Metro Manila and Northern Luzon, and the South Hub with 40 metric ton capacity located in Canlubang Laguna, to service Southern Luzon.

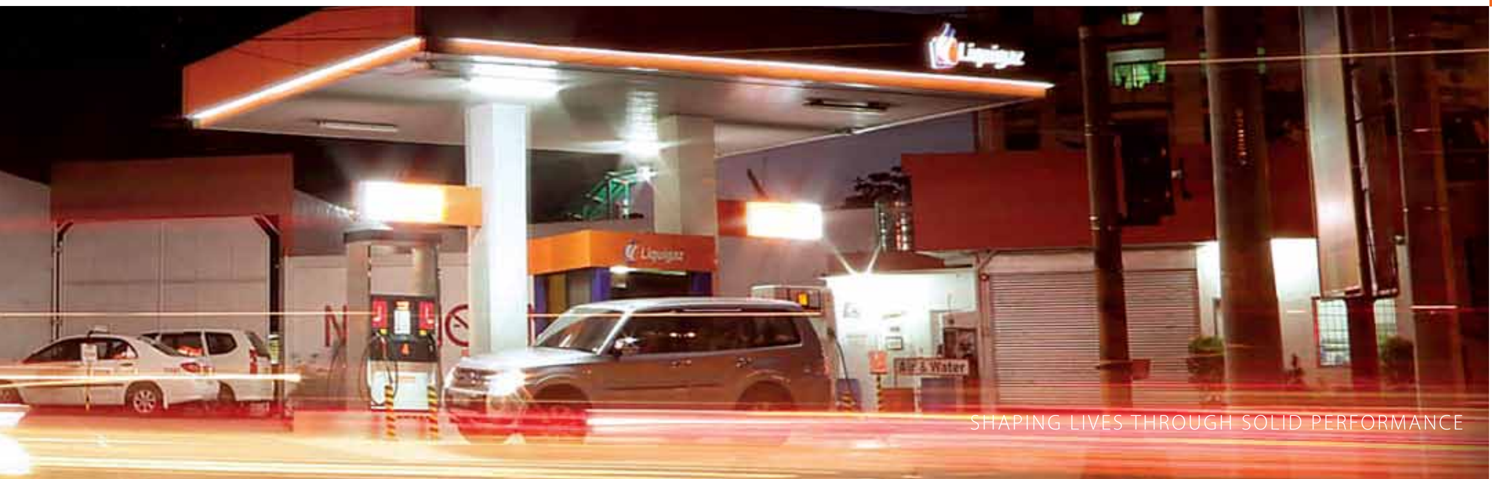
Other structures owned are the tanks located in various malls and restaurants right in the premises of its customers, Bulk trucks for wholesale deliveries, Cylinder trucks for transporting the cylinders, and Auto gas stations in Metro Manila.

Touching Lives - Presence in All Business Segments

Liquigaz plays a major role in customers' daily lives. It serves countless homes, malls and restaurants, providing the all important energy resource to the people.

There are five business segments in the Liquigaz business, namely:

1. Wholesale Business - caters to independent refillers as well as major players
2. Industrial Business - serves manufacturing industries ie. Food, Ceramics, Automotive
3. Commercial Business - serves the LPG requirements of fast-food chains, hotels and malls.
4. Autogas Business - caters to independent retailers and offers fleet card to company auto-lpg fleets
5. Cylinder Business - caters to LPG cylinder dealers



Wine & Liquor DISTRIBUTION

Cosco once again finished 2015 with gains from their wine and liquor investments businesses. The strong performance in this segment saw a significant growth in revenues from P4.84 billion up to P5.68 billion. Net profit was up to P660 million in 2015 from P603 million in the previous year.

As consumers' disposable income steadily increases due to economic growth, the company's sales are projected to follow suit. This, and the company's constant introduction of new product lines, will continue to result in positive performances for the Wine and Liquor segment for years to come.

Results for the year show that Brown Spirits (such as Brandies) contributed the most to revenues per segment, comprising 61% of sales across all brands.

in million Pesos	Margins (%)	2015	2014	2013
Revenue	17.00	5,677	4,841	3,565
Gross Profit	9.34	1,299	1,188	1,033
EBITDA	9.52	924	844	731
Net Profit	9.00	660	603	594

MONTOSCO INC.

After only a year of operations, Montosco, Inc. was acquired by Cosco in 2012. Montosco is the exclusive distributor of the famous Alfonso Brandy and Vino Fontana Wines. In 2015, the company's sales grew by 21% compared to the previous year. Notably, 50% of Alfonso's sales were driven by the Alfonso Light brand - following consumers' increasing preference for spirits with less alcohol content. Alfonso Platinum contributed to this growth as well, gaining popularity from its launch in the fourth quarter of 2014.

The group's positive year-on-year numbers are a result of its focus on direct servicing of all major key accounts. Montosco's transfer of some of its direct distribution channels to new sub-distributors in 2015 also drove sales growth thanks to an improved down line reach and logistics structure. The transition period was quick, as the new distributor relationships helped in ensuring timely delivery, and significantly reduced stock-outs for Alfonso. The upgraded servicing of major trade accounts and on-time launching of its marketing promotions of brands further added to a sparkling performance in 2015. The company also ensured that operations were cost effective, leading to better results for the year.

Continuous improvements coupled with ideal economic conditions proved to be a good mix for the business. The middle class segment, now with more disposable income, was willing to upgrade their purchases from local spirits to imported spirits. Cosco was aware of this trend, and took full advantage by ensuring that its distribution model was continuously strengthened and that Alfonso would enjoy increased presence and availability in more retail establishments.. The group also maximized on summer and Christmas seasonality by providing value packs for end consumers that were visible in major stores.

Montosco takes pride in its existing portfolio which includes the market leaders in the spirits industry starting with Diageo-for Johnnie Walker, Brown Forman for Jack Daniels, Patron Spirits, Bacardi and Williams Humbert for Hardies - making the line-up competitive despite the changing needs of consumers. New product lines made available in 2015 include Monkey 47, Mombasa Gin, Castel Wines, Solan De Cabras mineral water, and Thomas Henry spirit mixers.

Montosco will strive to maintain its low cost distribution, while still offering the best price for top of mind liquor and wine brands in the market.

Meritus Prime Distributions, Inc., a key subsidiary of Cosco Capital, was established in March 2010, with its appointment as the exclusive distributor of Beam Global Spirits & Wines (now known as Beam Suntory) in the Philippines. Along with several of Beam Suntory's renowned brands, Meritus Prime has grown in partnership with other premium wine and liquor institutions such as William Grant and Sons, makers of Glenfiddich scotch whisky, DGB of South Africa, and Barton & Guestier of France among others. It has also partnered with the world's number one listed wine company, Treasury Wine Estates of Australia.

This 2016, Meritus Prime has proven its market flexibility beyond the wine and liquor category, with the addition of the Earth's finest water, Fiji Natural Artesian Bottled Water.

Founded in 1996, Premier Wine and Spirits, Inc. (PWSI) continues to manage and develop its core business of spirits, wine and specialty beverage distribution in the Philippines. Its acquisition by Cosco in 2012 added value to the company's already complete array of alcoholic and contemporary non-alcoholic beverages.

The company carries a full range of price points that keep it competitive in a growing economy. In a market where disposable income is rising, consumers always tend to level up to more premium products.

PWSI's competitive edge is its scale, which it achieved through a balanced portfolio. It holds exclusive distribution of brands in every liquor type, including Cuervo Tequila, Jagermeister, Chivas Regal, Glenlivet Whiskies, Absolut Vodka, Red Bull and one of the new brands, the premium tonic water – Fever Tree.

PWSI's brand performance are reviewed regularly to ensure balance of its portfolio, in keeping with discerning consumers who are always willing to try new premium wines, cocktail mixers, and craft drinks.

PWSI also carries craft portfolio including gins, rums and beers. PWSI continues to explore new trends and avenues for growth, as part of the target market shifts from the mainstream to artisanal drinks.

Premier continues to expand its reach yearly, as an effective distribution network with dedicated sales, marketing and merchandising teams are able to hurdle challenges of delivering to far flung provinces.

PWSI expects 2016 will be even better as it explores more product line diversification into various spirits, wines and craft drinks. PWSI will continue to focus on stronger distribution channels and brand building through effective direct communications with its partner sellers, resulting in more profits for the group as a whole.

Real ESTATE

Growing at a Steady Pace

Cosco Capital, Inc.'s real estate business is involved in the leasing of land, commercial buildings, and oil storage facilities. The company strategically positions itself by working hand in hand mostly with the retail business, acquiring properties and developing them for retail use.

Cosco holds a list of commercial buildings, co-developed properties and community malls in several areas as it operates seven companies under its Real Estate & Property Leasing segment particularly: Ellimac Prime Holdings, Inc., NE Pacific Shopping Centers Corporation, Fertuna Holdings Corp., Patagonia Holdings Corp., Pure Petroleum Corp., and Nation Realty, Inc.

The year 2015 marked the entry of new leadership for Cosco's real estate segment. With the help of the new management, Cosco achieved positive results such as an increase in the number of branches and occupancy rates, improved collection and so on, making Cosco a more diverse and complete real estate group.

As of the end of 2015, Cosco operates a total of 44 properties with Gross Leasable Area (GLA) of 414,405 sqm., up 9% from the 378,756 sqm., in 2014. Among its portfolio of properties, 29 are operating as commercial retail buildings, nine are on long-term lease arrangements with Puregold Price Club, Inc., and the remaining six properties are in the stage of planning and development. In addition, Cosco was able to acquire six (6) commercial properties in 2015, adding a Gross Leasable Area of 35,649 sqm. Cosco Capital's real estate segment posted a 10% increase in revenues, while its net profit increased by 5.43%.

Cosco's real estate business is expected to grow as the company continues to develop more properties and attract other tenants, all while capitalizing on its relationship with its anchor tenant Puregold. Growth in Cosco's Real Estate division will also be fueled by several projects in the pipeline, which includes building commercial and specialty retail centers in the years ahead.

Ellimac
Prime Holdings, Inc.

Ellimac Prime Holdings, Inc. is the flagship real estate holding company of Cosco Capital after its merger with four other property companies in December 2012 namely : PILGOR Development Services Corporation, 514 Shaw Property Holdings Inc., Cosco Prime Holdings Inc., and Pajusco Realty Corporation.

As of end 2015, Ellimac owns a total of 36 properties located mostly in the Greater Metro Manila area as well as in neighboring provinces of Luzon. Among these, 24 are operating as commercial retail buildings, seven are on long-term lease arrangements, and five are in the stages of planning and development.

Ellimac's bold strategic plan to develop more commercial community mall properties in the years ahead will put the real estate group in the industry map, making it one of the pillars and growth drivers of Cosco Capital, Inc.

Fertuna
Holdings, Corp.

Fertuna Holdings, Corp., a registered locator of the Subic Bay Metropolitan Authority (SBMA) is Cosco's stronghold in the Central Luzon area.

In tandem with Ayala Land, Inc., Fertuna Holdings, Corp. leased a 6.5-hectare parcel of land within Subic Bay Freeport Zone, which has been developed into a highly successful commercial retail complex named Harbor Point. Formally opened in September 2012, Fertuna's commercial building-Subic Harbor Point has Puregold Supermarket as its anchor tenant.

To date, Harbor Point is considered as a major shopping destination for the residents of Central Luzon for its tax and duty-free importation privileges under Republic Act 7277.

The establishment of Subic Harbor Point strengthens Cosco Capital, Inc.'s position as the leading real estate player in the Central Luzon area.

With upcoming developments and future ventures in the pipeline, Fertuna Holdings Corp. will continue to be on the rise.

Patagonia Holdings, Corp.

Through Patagonia Holdings, Corp., Cosco Capital, Inc. has established its presence in Taguig City's financial business district- Bonifacio Global City. Patagonia Holdings Corp., established in March 2008 as a real estate leasing establishment, currently owns seven parcels of land with a total area of 1.3 hectares.

The Company's presence in the area has long been established through the operations of its primary lessee- S&R Membership Shopping retail outlet since 2000.

The strategic location of the property in the business district worked to the company's advantage, since S&R became accessible to patrons and consumers and became a steady market for S&R's retail outlet.

Nation Realty, Inc.

Aside from its highly successful grocery and specialty retail business segments, Cosco Capital also has its very own retail giant in the heart of Binondo, Manila. Nation Realty's 999 Shopping Mall is a specialty mall that houses numerous bazaar stalls, giving shoppers a fresh approach to the flea market or 'tiangge' experience.

The retail development is a bustling hub for Filipino shoppers and resellers who want to purchase good quality items at low prices. In just a few years since it started operations, the 999 Mall has already established itself as a dominant player in the retail shopping division.

The 999 shopping mall is made up of two (2) developments. The first is a four storey building that offers a 31,931 square meters gross floor area. Building #1 was constructed and completed in 2011. The second phase of the 999 shopping mall is a seven storey building with a gross floor area of 84,292 square meters. Building #2 was completed by Nation Realty Inc. in 2012.

The group is constantly looking for growth opportunities, especially in commercial real estate, as more improvements and developments are planned for this segment moving forward.

NE
Pacific Shopping Centers Corp.

A boost to Cosco's real estate portfolio was the purchase of NE Pacific Mall in 2014. Located in Cabanatuan City, the mall is a premier shopping destination in the province of Nueva Ecija.

Within the 10-hectare mall is a supermarket, department store, hardware and appliance centers, restaurants and other retail attractions, with its very own Puregold Price Club as an anchor tenant. NE Pacific Mall boasts of a 35,000 square meter floor area and 23,000 square meters of leasable area.

The investment in NE Pacific Mall is a perfect example of synergies within the group. The growing real estate creates even more opportunities for our core retail segments, widening Cosco's reach and bringing the company closer to its target publics.

It is successful ventures such as these that continue to strengthen the brand and position it for even more milestones and achievements in the coming years.

Pure
Petroleum Corp.

Pure Petroleum Corp. was established in 2009 to lease large-scale tanking storage for petroleum and processed fuel products. A 100% Filipino-owned and operated corporation, Pure Petroleum has 20,000 sqm. of land within the Subic Bay Freeport Zone that houses nine fuel tanks and a jetty for leasing purposes.

The company employs global best practices and procedures to ensure safe and efficient operation of its fuel tanks. The said tanks have a total capacity of 90 million liters. Aside from the tanks and a jetty for bulk loading and unloading, Pure's fuel terminal facilities also feature mooring buoys, water storage tanks for protection and maintenance, and truck loading racks.

Oil and MINERALS

Cosco Capital, Inc. traces its origins to the first company incorporated in 1988 as Alcorn Petroleum and Minerals Corporation (APMC), whose primary purpose is to engage in the exploration, development and production of oil and gas, and metallic and non-metallic reserves in the Philippines. In the year 2000, the Securities and Exchange Commission approved the amendment of APMC's primary purpose, converting it into a holding company now renamed Alcorn Gold Resources Corporation (AGRC). The changes in the corporate purposes allowed AGRC to expand the scope of its business endeavors.

In order to adapt to the ever-changing business atmosphere, AGRC recapitalized in 2013 and once again renamed itself as Cosco Capital, Inc. Cosco, as an ever-expanding group, is now a successful conglomerate with diverse interests in retail, real estate, liquor distribution and mining.

The focus on oil and minerals remains strong however, as various assets and sites continue to be developed. With capital inflow increasing to further support the different ventures, more positive results from this segment can be expected in the coming years.

"The focus on oil and minerals remains strong however, as various assets and sites continue to be developed. With capital inflow increasing to further support the different ventures, more positive results from this segment can be expected in the coming years."

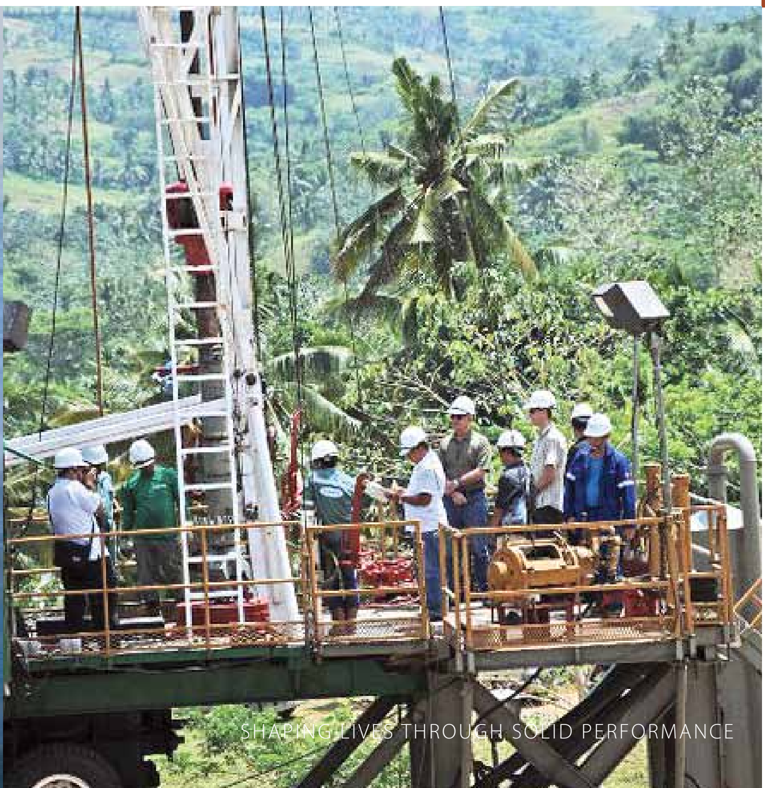
Alcorn Petroleum and Minerals Corporation is a wholly owned subsidiary of Cosco Capital, Inc., and is tasked with pursuing exploration and development of Cosco's interests in oil and mining business activities.

Progressive steps are constantly being undertaken to further develop and maximize on the Company's portfolio of petroleum and mineral assets, which includes petroleum exploration and extraction activities in the Palawan area as well as the Eastern Visayas region.

Its petroleum projects across the country consist of offshore cyclic production activities in Matinloc Field, West Linapacan, and Bonita in Northwest Palawan, as well as in the East Visayan Basin.

Mineral operations are also ongoing through an Option to Purchase Agreement with Vale Exploration Philippines, covering copper and gold mining claims in Concepcion town, Iloilo. Vale is a subsidiary of Brazilian Mining Company.

As Cosco Capital continues to expand its business portfolio, its Oil and Minerals business segment remains an integral part of the growth strategy moving forward.



2015 Results and Achievements

Highlights 2015

August 12:
Cosco Capital, Inc. through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired Maunlad Mall situated at Malolos Bulacan.

August 6:
Puregold Price Club, Inc. through wholly-owned subsidiary Entenso Equities and Goldtempo Company, Inc., acquired eight (8) supermarket stores operating under trade name BudgetLane.

August 5:
Through wholly-owned subsidiary, Ellimac Prime Holdings, Inc. acquired RFC Mall located along Alabang, Zapote, Las Pinas City.

February 3
- Puregold Price Club, Inc. acquired nine (9) supermarkets from NE Incorporated.

- Cosco Capital, Inc. through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired four (4) commercial properties from NE Incorporated.

2014

January 29:
Approval of merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (Nation Realty, Inc. as the absorbing entity).

February 28:
Acquisition of NE Pacific Shopping Centers Corporation

May 1:
Acquisition of Office Warehouse, Inc.

July 17:
Acquisition and subscription of additional shares of Canaria Holdings Corporation.

July 21:
Acquisition of Liquigaz Philippines Corporation through CanariaHoldings Corporation

2013

April 22:
Approval by the Securities and Exchange Commission (SEC) of change in corporate name and increase in capital stock of Parent company.

May 31:
Implementation of issuance and listing of new shares, cross trade at the Philippine Stock Exchange (PSE) of PGOLD shares to the Parent company, issuance of shares to the subscribers pursuant to share swap, special block sale at the PSE of new shares.

CONSOLIDATED REVENUE & NET INCOME

	2015	2014
Consolidated Revenue	116,752,182,077	98,786,743,840
Consolidated Net Income	6,987,242,032	6,235,501,639

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

	2015	2014
Grocery Retailing	97,171,519,864	84,697,390,792
Real Estate and Property Leasing	1,848,044,359	1,395,944,012
Liquor Distribution	4,574,160,620	3,717,052,727
Specialty Retail	13,156,470,401	8,950,174,551

SEGMENT OPERATION HIGHLIGHTS

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

	2015	2014
Grocery Retailing	97,171,519,864	84,697,390,792
Real Estate and Property Leasing	2,422,603,792	2,209,728,368
Liquor Distribution	5,676,830,694	4,840,817,814
Specialty Retail	13,156,565,360	8,950,174,551

NET INCOME CONTRIBUTION BY BUSINESS SEGMENT

	2015	2014
Grocery Retailing	5,001,871,585	4,520,457,686
Real Estate and Property Leasing	1,027,890,831	974,947,793
Liquor Distribution	659,633,078	603,431,864
Specialty Retail	508,244,954	132,150,278

A Milestone Year

The By-Product is the Main Product

Liquified petroleum gas (LPG) as a derivative of crude oil, is a vital source of alternative energy with a spectrum of uses. Demand for crude oil and LPG rose in 2015 as both products experienced a 60% drop in prices. Cosco's acquisition of Liquigaz in 2014 was therefore an opportune move given that potential growth of the business was high.

The Company believes there is more room for growth in the near future, as only 37% of households in the country presently use LPG.

Gaining Momentum in 2015

Liquigaz net income after tax rose from P280 million in 2014 to P399 million in 2015 as volumes reached 423,151 metric tons in 2015.

The Company has an established presence in Luzon, with plans to move further south towards Sariaya, Quezon through a 16,500 metric ton capacity refilling plant that surpasses the capacity of its facility in Bataan. Once completed Liquigaz will continue to own the largest terminal plants in the Philippines.

As part of its expansion, Liquigaz also acquired refilling plants of G&G and Velgas.

Liquigaz takes advantage of cost efficiencies and economies of scale, and. believes that the way to keep prices low is to get closer to its own market. For this reason, the following additional refilling plants were set up as of the end of 2015:

Number of plants

For lease and operated		Number of plants owned	
Meycauayan	1	Baguio	2
Canlubang	2	Rizal, Taytay	1
Nueva Vizcaya	1		

Truly, the trend in LPG distribution is expansion, as competing local producers or oil refineries positioned themselves for growth in 2015. Liquigaz was ahead of the curve through the acquisition of more refilling plants for its own operations and for leasing to other refillers.

Synergy in Energy

Liquigaz will maintain its position as no. 1 importer of LPG, and No. 2 supplier in the Philippines by continuing to meet the LPG needs of the general public, by providing wholesale supply to other brands, leasing its refilling plants, trucks and similar equipment, and by providing for the needs of its co-subsidiaries within the Cosco group..

Liquigaz has held as much as 28% of market share for the past 2 years, which includes covering the unserved requirements of top refineries.

Liquigaz supplies LPG to its affiliates such as LAWSON, the latest entrant in the convenience store segment in the Philippines and the fast-growing and trending S&R Quick Service Restaurants (QSR) mushrooming along with the S&R warehouse set-up. Liquigaz also services a number of fast food outlets and restaurant tenants in its various malls both organic and acquired, such as the NE Pacific Malls in Cabanatuan.

Liquigaz will strive to be present in locations strategic and suitable to where the Puregold Branches are located.

Outside of the Cosco family, the company caters to food manufacturers, factories in need of LPG, and leases its facilities to LPG tank refillers. All signs point to further growth in demand for LPG in the Philippines.

Strategies

Aside from expanding its reach, another Liquigaz focus is its adherence to professional relationships through its Customer Care policies. Its own agents are also able to sell directly to end users (wholesale and retail buyers).

Liquigaz is also set apart from others in this business because of its sterling safety record. Priority on safety in every aspect of operations is stressed daily.

Future Plans

Liquigaz will move further down the value chain, as this can confidently be achieved from Cosco's expertise in retail. Liquigaz' vision is to be a commodity that is available "on demand", and will strive to be available 24/7, with new offerings and upgrades launched regularly such as franchise offerings and development of an online ordering system.

ELLIMAC PRIME HOLDINGS, INC.

Ellimac Prime Holdings, Inc. was born of a merger between five companies in December 2012: PILGOR Development Services Corporation, 514 Shaw Property Holdings, Inc., Cosco Prime Holdings, Inc., Pajusco Realty Corporation, and Ellimac Prime Holdings, Inc. with the latter being the surviving corporation.

Owning a portfolio of 36 properties, Ellimac Prime Holdings, Inc. is now considered Cosco Capital, Inc.'s flagship real estate subsidiary.

Ellimac currently operates twenty four (24) commercial retail buildings; seven (7) are on long-term lease arrangements; while five (5) are in the stages of planning and development. Most of its properties are located in the Greater Metro Manila area and neighboring provinces in Luzon.

The year 2015 proved to be a milestone for Cosco Capital's real estate subsidiary as it acquired numerous properties and grew its network, thereby contributing further to revenues of its holding firm.

In February 2015, Ellimac expanded its rental selling space by acquiring four commercial properties from Nueva Ecija-based NE Incorporated. These commercial properties are located in Zulueta St., Cabanatuan City; San Jose City, Nueva Ecija; San Juan Accfa, Cabanatuan City; and Baler, Aurora.

Following its acquisition of commercial properties in Nueva Ecija, Ellimac acquired RFC mall with a total gross floor area of around 23,000 sqm and a lot area of 7,641 sqm. RFC Mall is located in a fast growing commercial and residential area along Alabang, Zapote, Las Pinas City.

The acquisition of RFC Mall accelerates the expansion of Cosco's community mall footprint as it plans to build three more community malls in the next two years.

The group added further to its property portfolio by acquiring Bulacan-based Maunlad Mall which is situated in Malolos, Bulacan.

Ellimac Prime Holdings, Inc. will continue to target significant growth and expansion, and already has numerous projects in the pipeline in various areas including Altaraza, San Jose Del Monte Bulacan; Binan, Laguna; Tinajeros, Malabon City; Tungkong Mangga, San Jose Bulacan; and Urdaneta, Pangasinan.

The company remains committed to serving its broad mass market as it aims to expand its reach aggressively in the years to come.

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A View of What Lies Ahead

Cosco Capital, Inc. will strive to continue the legacy of being one of the leading retail holding companies in the Philippines in the years to come. Its investments in top retail establishments, liquor distributors, commercial real estate, oil and minerals entities, have positioned Cosco for success as it looks to even more profitable ventures in the near future.

Riding on the growth of Philippine economy, and on strong domestic demand and consumption, Cosco remains optimistic in sustaining short and long term growth. Above all else, it perseveres in its mission to elevate communities and to create inclusive development for all stakeholders.

The grocery retail segment will continue to provide a significant share of positive returns. The Company, with its force of experts in property management, facility management, mall and tenants management, will continue to abide by cost efficient strategies that ensure tenant satisfaction, synergistic relationships, and improvements in the lives of the communities in the areas where Puregold stores, S&R, LAWSON, NE Bodega and BudgetLane choose to be. This same formula will be adopted into the acquired community malls and other segments.

The Real Estate Business is seen to continue supporting the grocery retail or Puregold businesses, while more joint-venture projects with other established institutions can be expected.

Liquigaz will continually strive to meet consumer demand with an upbeat and aggressive approach to providing LPG to various refillers. The Company remains focused on the rehabilitation and construction of new storage tanks, the construction of a new jetty, and the opening of

more showrooms for the cylinder business of Liquigaz. To expand its established presence in Luzon, the group plans to move further south towards Sariaya, Quezon through a 16,500 metric tons capacity refilling plant project.

Office Warehouse, the leading office solutions retailer, also has expansion goals of its own, with plans to reach out beyond Metro Manila to tap an underserved market of SMEs and SOHOs .

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Cosco's liquor and spirits business, from Montosco, Inc., to Premier Wines & Spirits, and Meritus Prime Distributors, Inc., will continue to grow as it offers an array of well-known global brands that satisfy the various tastes and preferences of discerning consumers who are constantly looking for something new.

Cosco has the capacity and the capability to attain its goals and exceed expectations. With its strong financial position and affiliations with the best that industry has to offer, it will continue to shape the lives of many for years to come.

"Cosco remains optimistic in sustaining short and long term growth. Above all else, it perseveres in its mission to elevate communities and to create inclusive development for all stakeholders."

Board *of* Directors

Lucio L. Co
Chairman of the Board

Susan P. Co
Vice-Chairman

Leonardo B. Dayao
President

Atty. Eduardo F. Hernandez
Director

Levi B. Labra
Director

Oscar S. Reyes
Independent Director

Robert Y. Cokeng
Independent Director

Board *of* Directors

LUCIO L. CO *61, Filipino, Chairman of the Board*

He also serves as Chairman of Puregold Price Club, Inc. and Da Vinci Capital Holdings, Inc. (both publicly-listed companies).

He is also the Chairman of CHMI Hotels and Residences, Entenso Equitites, Inc., Liquigaz Philippines Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., San Jose City I Power Corp., Union Energy Corporation, Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., and Alcorn Petroleum and Minerals Corporation. He is the Chairman and President of Union Equities, Inc., Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Forbes Corporation, Invescap Incorporated, P.G. Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., PPCI Subic Inc., Pure Petroleum Corp. He is also Director of Philippine Bank of Communications (publicly-listed company), Catuiran Hydropower Corporation, Illido Management Corporation, Kareila Management Corporation, LCCK & Sons Realty, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp. and Premier Wine and Spirits, Inc. He is a member of the Board of Trustees of Adamson University.

He has been an entrepreneur for the past 40 years.

SUSAN P. CO *58, Filipino, Vice-Chairman*

Mrs. Co is currently one of the Directors of Puregold Price Club, Inc. and Philippine Bank of Communications (both publicly-listed companies).

She also serves as Treasurer for the following companies: Alcorn Petroleum and Minerals Corporation, Bellagio Holdings, Inc., Luis Co Chi Kiat Foundation, Luk Foo International Cuisine, Inc., NE Pacific Shopping Centers Corporation, Puregold Finance, Inc., PPCI Subic Inc., Union Energy Corporation and Union Equities, Inc. She is also Director of 118 Holdings, Inc., Blue Ocean Holdings, Inc., CHMI Hotels & Residences, Inc., Ellimac Prime Holdings, Inc., Forbes Corporation, Kareila Management Corporation, KMC Realty Corporation, Illido Management Corporation, League One, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp., Puregold Duty Free (Subic), Inc., Premier Wine and Spirits, Inc., P.G. Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., Puregold Realty Leasing & Management, Inc., Pure Petroleum Corp. and San Jose City I Power Corp.

Mrs. Co received a Bachelor of Science Degree in Commerce from the University of Santo Tomas.

LEONARDO B. DAYAO *72, Filipino, President*

Mr. Dayao has been a Director and Vice-Chairman of the Company since October 1997 and elected as President on June 2010.

He is currently Chairman of PSMT Philippines, Inc. and Chairman and President of Fertuna Holdings Corp. and Vice-Chairman of Liquigaz Philippines Corporation. He is a President and CEO of Catuiran Hydropower Corporation and San Jose City I Power Corp. He is a President of Alcorn Petroleum and Minerals Corporation, Cosco Capital, Inc. (publicly-listed company), CHMI Hotels & Residences, Inc., Puregold Duty Free (Subic), Inc., Puregold Finance, Inc. and Union Energy Corporation. He is a Vice-President of 118 Holdings, Inc., Alerce Holdings Corp., Bellagio Holdings, Inc., Ellimac Prime Holdings, Inc., KMC Realty Corporation, Puregold Duty Free, Inc., Puregold Properties, Inc., Union Equities, Inc. and VFC Land Resources, Inc. He is a Director of Philippine Bank of Communications (publicly-listed company), Entenso Equities Incorporated, Nation Realty, Inc. and Puregold Realty Leasing & Management, Inc.

He received a Bachelor of Science Degree in Commerce from the Far Eastern University. He is a Certified Public Accountant and has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

ATTY. EDUARDO F. HERNANDEZ *86, Filipino, Director*

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He served as President of Alcorn Gold Resources which became Cosco Capital, Inc. where he was been duly elected to hold office as Director.

He is a Senior Counsel of Romulo, Mabanta, Buenaventura Sayoc & De Los Angeles Law Office. Atty. Hernandez obtained his Law Degree in the University of the Philippines in 1953. He served as Supreme Court Bar Examiner in Civil Law in 1968 and in Commercial Law in 1982. He was likewise a former President of the Philippine Bar Association and also served as Regent of the University of the Philippines. He was also the Chairman of the Philippine Petroleum Association of the Upstream Industry (Oil & Gas), Inc. He is also the author of various law books such as: (a) Landowners' Rights published in 2002 and (b) Philippine Admiralty and Marine Law, published in 2006.

LEVI B. LABRA *57, Filipino, Director*

Mr. Labra was the former Director for Customer Business Development for Asia Pacific Region of Procter and Gamble Distributions, Inc. He was with P&G for 35 years and involved himself in sales management, distributor operations, logistics, forecasting, among others. He is a graduate of University of San Carlos with a degree in Bachelor of Science in Business Administration.

ROBERT Y. COKENG *64, Filipino, Independent Director*

He also serves as a director and/or officer in the following companies: Chairman, President and CEO–F&J Prince Holdings Corporation (PSE-Listed Company); President and CEO–Magellan Capital Holdings, Corp.; President and CEO–Magellan Utilities Dev't. Corp.; Chairman, President and CEO–Consolidated Tobacco Ind. of the Phils.; Chairman and President–Center Industrial and Investment, Inc.; Vice-Chairman–Pointwest Technologies Corp. and Pointwest Innovations Corp.; Chairman-Exec. Committee–Business Process Outsourcing International; Chairman–IPADS Developers, Inc. He was also the Senior Investment Officer and Philippine Country Officer of International Finance Corporation (World Bank Group) from 1976 to 1986. He worked on investments in East Asia from Washington D.C. Headquarters and from Regional Mission for East Asia located in Manila. He graduated Magna Cum Laude in Ateneo de Manila University with degree of Bachelor of Arts Economics Honors Program. He also earned his Master in Business Administration in Harvard University with High Distinction and elected a Baker Scholar.

OSCAR S. REYES *70, Filipino, Independent Director*

His other positions are: member of the Advisory Board of the Philippine Long Distance Telephone Company (PLDT) and of the Board of Directors of the Manila Water Co., Inc., Pepsi Cola Products Philippines, Inc. (Chairman), PLDT Communications and Energy Ventures, Inc., Basic Energy Corporation, Sun Life Financial Phils., Inc., Grepa Life Funds and Sun Life Prosperity Funds, among other firms. He is a Director of Manila Electric Company where he also holds the position of President and Chief Executive Officer. He is also the President of Meralco PowerGen Corporation and Chairman of Meralco Industrial Engineering Services Corporation (MIESCOR), CIS Bayad Center, Meralco Energy, Inc. (MEI), Redondo Peninsula Energy, Inc., and PacificLight Pte. Ltd. He is a member of the Board of Trustees of One Meralco Foundation, Inc., Pilipinas Shell Foundation, Inc., SGV Foundation, Inc. and El Nido Foundation, Inc.

Corporate Governance

Discussion on Compliance with leading practices on Corporate Governance

On March 4, 2016, the Directors and officers of the Company attended in-house Corporate Governance Seminar by the Center for Training and Development, Inc., an accredited training provider of the Securities and Exchange Commission. This is in compliance with SEC Circular that directors and officers should attend corporate governance seminar atleast once a year.

On April 1, 2016 Board meeting of the Company, the Board approved to amend the following provisions of the Company's Articles and by Laws. The amendments were made to improve corporate governance practices of the Company.

1. Amendment of Article 6 of the Articles of Incorporation

   "SIXTH. That the number of directors of the said Corporation shall be NINE (9).

2. Amendment of Section 10 Article IV of the By-Laws

   "Section 10. Quorum. – Two-thirds (2/3) of the number of directors as fixed in the Articles of Incorporation shall constitute a quorum for the transaction of corporate business, provided that at least one independent director be present. Every decision of at least majority of the directors present at a meeting at which there is a quorum shall be valid as a corporate act, except for the election of officers which shall require the vote of majority of all members of the Board."

3. Amendment of Section 3 Article III of the By-Laws

   "Section 3. Notice of Meeting – Notices for regular or special meetings of stockholders may be sent by the Office of the Corporate Secretary by personal delivery or mail at least thirty (30) days prior to the date of the meeting to each stockholder of record at his last known address. The notice shall state the place, date and hour of the meeting, and the purposes for which the meeting is called. No publication of notice of meeting in public newspapers shall be required.

The amendments will still undergo stockholders approval and verification by Securities and Exchange Commission. The amendments are expected to be completed before the year ends.

No deviation from the Company's Manual on Corporate Governance was recorded or found. The Company strives to improve corporate governance and to adopt the best practices of the leading companies.

Further, pursuant to the Company's Corporate Governance Manual, the Company's Board has each of the following committees:

Audit Committee

The Company's Audit Committee is responsible for assisting the Company's board in its fiduciary responsibility by providing an independent and objective assurance to its management and shareholders of the continuous improvement of its risk management, control an governance processes.

The Audit Committee reports to the Company's Board. The Audit Committee Chairman is Mr. Robert Y. Cokeng, Independent Director, and members are Leonardo B. Dayao and Mr. Levi B. Labra.

The Company has an Audit Charter approved by the Board of Directors on July 1, 2013. Every end of the year, the Company discusses audit plan with its external auditor.

Compensation Committee

The Company's Compensation Committee is responsible for objectively recommending a formal and transparent framework of remuneration and evaluation for the members of the Company's Board and the Company's key executives to enable them to run the Company successfully.

The Remuneration and Compensation Committee reports directly to the Company's Board and is required to meet at least once a year. The Remuneration and Compensation Committee consists of Lucio L. Co as Committee Chairman, Leonardo B. Dayao and Mr. Robert Cokeng as members.

Nomination Committee

The Company's Nomination Committee is responsible for providing the Company's shareholders with an independent and objective evaluation and assurance that the membership of the Company's Board is competent and will foster long-term success and competitiveness. The Nomination Committee reports directly to the Company's Board and is required to meet at least once a year. The Nomination Committee consists of Susan P. Co as Committee Chairman, Mr. Robert Y. Cokeng and Atty. Eduardo F. Hernandez as members.

Corporate Governance Committee

The Company's Corporate Governance Committee is tasked to formulate rules in accordance with the Securities and Regulation Code and Manual on Corporate Governance that will guide the Board of Directors and Management in observing compliance with the best corporate governance practices. It consists of Atty. Eduardo F. Hernandez as Chairman, Mr. Levi B. Labra and Mr. Oscar S. Reyes as members.

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

Signature ______________________
LUCIO L. CO/Chairman of the Board

Signature ______________________
LEONARDO B. DAYAO/ President

Signature ______________________
TEODORO A. POLINGA/ Group Comptroller

SUBSCRIBED AND SWORN to before me this _____ day of APR 1 2 2016 2016 affiants exhibiting to me their respective Pass Ports, as follows:

Name	Pass Port No.	Date of Issue	Place of Issue
LUCIO L. CO	EB 957 1726	November 13, 2013	DFA Manila
LEONARDO B. DAYAO	EC 0360 234	February 20, 2014	DFA Manila
TEODORO A. POLINGA	EC 3546 313	February 27, 2015	DFA Manila

Doc. No. 287;
Page No. 58;
Book No. III,
Series of 2016

EMMA RHEA B. SADURAL
Notary Public
Until December 31, 2016
Commission No. 2015-035
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 4915078/01-04-16/Mla.
No. 900 Romualdez St., Paco, Manila

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REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Cosco Capital, Inc.
(Formerly Alcorn Gold Resources Corporation)
900 Romualdez Street
Paco, Manila

We have audited the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (formerly Alcorn Gold Resources Corporation), which comprise the consolidated statements of financial position as at December 31, 2015 and 2014, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

PRC-BOA Registration No. 0003, valid until December 31, 2016
SEC Accreditation No. 0004-FR-4, Group A, valid until November 10, 2017
IC Accreditation No. F-2014/014-R, valid until August 26, 2017
BSP Accredited, Category A, valid until December 17, 2017

Opinion

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

R.G. MANABAT & CO.

DARWIN P. VIROCEL
Partner
CPA License No. 0094495
SEC Accreditation No. 1386-A, Group A, valid until February 5, 2017
Tax Identification No. 912-535-864
BIR Accreditation No. 08-001987-31-2013
Issued December 2, 2013; valid until December 1, 2016
PTR No. 5321515MD
Issued January 4, 2016 at Makati City

April 1, 2016
Makati City, Metro Manila

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		December 31	
	Note	**2015**	2014
ASSETS			
Current Assets			
Cash and cash equivalents	*4*	**P14,541,465,350**	P15,681,010,818
Short-term investments	*5*	**561,955,978**	824,078,115
Receivables - net	*6*	**5,648,133,162**	5,321,986,551
Inventories	*7, 21*	**16,740,693,333**	13,921,685,345
Investments in trading securities	*8*	**34,432,591**	37,448,469
Available-for-sale financial assets	*9*	**8,587,187**	14,277,024
Due from related parties	*26*	**156,018,039**	10,049,370
Prepaid expenses and other current assets	*10*	**1,808,073,603**	1,164,914,349
Total Current Assets		**39,499,359,243**	36,975,450,041
Noncurrent Assets			
Investments	*11*	**989,189,640**	912,065,182
Property and equipment - net	*12*	**16,136,867,778**	15,285,188,229
Investment properties - net	*13*	**14,843,132,984**	12,773,920,323
Intangibles and goodwill - net	*14*	**22,558,070,024**	21,052,640,362
Deferred oil and mineral exploration costs - net	*15*	**120,896,482**	119,168,419
Deferred tax assets - net	*28*	**343,672,524**	120,214,897
Due from related parties - noncurrent portion	*26*	**210,808**	7,995,068
Other noncurrent assets	*16, 22*	**3,125,426,304**	2,609,412,772
Total Noncurrent Assets		**58,117,466,544**	52,880,605,252
		P97,616,825,787	P89,856,055,293

LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*17, 32, 33*	**P12,175,189,869**	P12,872,757,835
Short-term loans payable	*18, 32*	**4,266,500,000**	2,259,100,000
Current maturities of long - term loans, net of debt issue costs	*18, 32*	**619,694,073**	1,007,789,300
Income tax payable		**1,075,502,048**	829,501,994
Trust receipts payable	*32, 33*	**5,182,021**	-
Due to related parties	*26, 32, 33*	**457,157,621**	42,605,644
Other current liabilities	*19, 32, 33*	**441,864,861**	408,917,894
Total Current Liabilities		**19,041,090,493**	17,420,672,667
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	*18, 32, 33*	**8,693,424,271**	8,858,613,920
Deferred tax liabilities - net	*28*	**758,795,340**	753,780,195
Retirement benefits liability	*27*	**479,824,597**	433,436,122
Deposits for future subscriptions in a subsidiary	*20*	**150,313,060**	150,313,060
Noncurrent accrued rent	*22*	**2,492,888,910**	2,068,506,537
Other noncurrent liabilities	*32*	**456,530,719**	491,968,455
Total Noncurrent Liabilities		**13,031,776,897**	12,756,618,289
Total Liabilities		**32,072,867,390**	30,177,290,956

Forward

		December 31	
	Note	**2015**	2014
Equity			
Capital stock	29	**P7,405,263,564**	P7,405,263,564
Additional paid-in capital	29	**9,634,644,229**	9,634,644,229
Treasury stock	29	**(440,506,732)**	(252,620,619)
Remeasurements of retirement liability - net of tax	27	**(28,576,936)**	(49,793,434)
Reserve for fluctuations in value of AFS financial assets	9	**4,981,351**	6,932,418
Retained earnings	29	**29,868,620,397**	25,925,960,160
Total Equity Attributable to Equity Holders of Parent Company		**46,444,425,873**	42,670,386,318
Non-controlling interest		**19,099,532,524**	17,008,378,019
Total Equity		**65,543,958,397**	59,678,764,337
		P97,616,825,787	P89,856,055,293

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	2015	2014	2013
			Years Ended December 31	
REVENUES				
Net sales		**P114,902,150,885**	P97,388,308,049	P47,848,891,949
Services		**1,848,044,359**	1,395,944,012	1,124,547,971
Production lifting		**1,986,833**	2,491,779	2,699,143
		116,752,182,077	98,786,743,840	48,976,139,063
COST OF SALES AND SERVICES				
Cost of sales	21	**95,700,127,354**	80,565,757,343	39,121,065,999
Cost of services	21	**1,088,354,616**	933,652,573	320,802,897
		96,788,481,970	81,499,409,916	39,441,868,896
GROSS PROFIT		**19,963,700,107**	17,287,333,924	9,534,270,167
OTHER OPERATING INCOME	23	**2,924,675,635**	2,562,761,566	1,399,851,181
		22,888,375,742	19,850,095,490	10,934,121,348
OPERATING EXPENSES	24	**12,875,678,316**	11,130,394,999	5,894,115,883
INCOME FROM OPERATIONS		**10,012,697,426**	8,719,700,491	5,040,005,465
OTHER INCOME (EXPENSES)				
Interest expense	18	**(426,567,595)**	(286,043,223)	(28,550,079)
Interest income		**134,728,099**	182,061,951	17,614,984
Others - net	25	**83,497,953**	73,299,972	53,282,253
		(208,341,543)	(30,681,300)	42,347,158
INCOME BEFORE INCOME TAX		**9,804,355,883**	8,689,019,191	5,082,352,623
INCOME TAX EXPENSE	28	**2,817,113,851**	2,453,517,552	1,351,147,114
NET INCOME		**6,987,242,032**	6,235,501,639	3,731,205,509
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that may be reclassified to profit or loss in subsequent periods				
Unrealized fair value gains (losses) on available for sale financial assets	9	**(1,951,069)**	2,366,956	1,941,770
Item that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	27	**59,227,078**	(54,415,785)	43,637,916
Income tax effect		**(17,768,123)**	16,324,736	(13,091,375)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**39,507,886**	(35,724,093)	32,488,311
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P7,026,749,918**	P6,199,777,546	P3,763,693,820
Net income attributable to:				
Equity holders of the Parent Company		**P4,490,644,237**	P4,026,866,478	P2,482,546,969
Non-controlling interests		**2,496,597,795**	2,208,635,161	1,248,658,540
		P6,987,242,032	P6,235,501,639	P3,731,205,509
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P4,509,909,666**	P4,010,400,185	P2,500,067,475
Non-controlling interests		**2,516,840,252**	2,189,377,361	1,263,626,345
		P7,026,749,918	P6,199,777,546	P3,763,693,820
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	31	**P0.628180**	P0.543784	P0.527243

See Notes to the Consolidated Financial Statements.

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

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 1 and 29)	Additional Paid-in Capital (Note 29)	Treasury Stock (Note 29)	Remeasurements of Retirement Liability Net of Tax (Note 27)	Reserve for Fluctuations in Value of AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2013	**P1,275,000,000**	**P -**	**P -**	**P -**	**P2,623,692**	**P98,202,992**	**P -**	**P1,375,826,684**
Issuance during the year	6,130,263,564	9,634,644,229	-	-	-	-	-	15,764,907,793
Acquisition of treasury stocks	-	-	(244,757,527)	-	-	-	-	(244,757,527)
Effect of business combination	-		-	(20,040,996)	-	20,459,203,980	-	20,439,162,984
Non-controlling interest from business combination	-	-	-	-	-	-	13,731,987,231	13,731,987,231
	6,130,263,564	9,634,644,229	(244,757,527)	(20,040,996)	-	20,459,203,980	13,731,987,231	49,691,300,481
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	2,482,546,969	1,248,658,540	3,731,205,509
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	1,941,770	-	-	1,941,770
Remeasurement gains on defined benefit liability - net of tax	-	-	-	17,520,506	-	-	13,026,035	30,546,541
Total comprehensive income	-	-	-	17,520,506	1,941,770	2,482,546,969	1,261,684,575	3,765,635,590
As at December 31, 2013	**7,405,263,564**	**9,634,644,229**	**(244,757,527)**	**(2,520,490)**	**4,565,462**	**23,039,953,941**	**14,993,671,806**	**54,830,820,985**
Effect of business combination	-	-	-	(28,439,694)	-	(123,658,659)	-	(152,098,353)
Acquisition of treasury stocks	-	-	(7,863,092)	-	-	-	-	(7,863,092)
Non-controlling interest from business combination	-	-	-	-	-	-	231,990,594	231,990,594
Cash dividends	-	-	-	-	-	(1,017,201,600)	(406,661,742)	(1,423,863,342)
	-	-	(7,863,092)	(28,439,694)	-	(1,140,860,259)	(174,671,148)	(1,351,834,193)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,026,866,478	2,208,635,161	6,235,501,639
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	2,366,956	-	-	2,366,956
Remeasurement losses on defined benefit liability - net of tax	-	-	-	(18,833,250)	-	-	(19,257,800)	(38,091,050)
Total comprehensive income	-	-	-	(18,833,250)	2,366,956	4,026,866,478	2,189,377,361	6,199,777,545
As at December 31, 2014	**P7,405,263,564**	**P9,634,644,229**	**(P252,620,619)**	**(P49,793,434)**	**P6,932,418**	**P25,925,960,160**	**P17,008,378,019**	**P59,678,764,337**
Effect of business combination	-	-	-	-	-	42,889,301	-	42,889,301
Acquisition of treasury stocks	-	-	(187,886,113)	-	-	-	-	(187,886,113)
Cash dividends	-	-	-	-	-	(590,873,301)	(425,685,747)	(1,016,559,048)
	-	-	(187,886,113)	-	-	(547,984,000)	(425,685,747)	(1,161,555,860)
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	4,490,644,237	2,496,597,795	6,987,242,032
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(1,951,067)	-	-	(1,951,067)
Remeasurement gains on defined benefit liability - net of tax	-	-	-	21,216,498	-	-	20,242,457	41,458,955
Total comprehensive income	-	-	-	21,216,498	(1,951,067)	4,490,644,237	2,516,840,252	7,026,749,920
As at December 31, 2015	**P7,405,263,564**	**P9,634,644,229**	**(P440,506,732)**	**(P28,576,936)**	**P4,981,351**	**P29,868,620,397**	**P19,099,532,524**	**P65,543,958,397**

See Notes to the Consolidated Financial Statements.

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

		Years Ended December 31		
	Note	**2015**	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P9,804,355,883**	P8,689,019,191	P5,082,352,623
Adjustments for:				
Depreciation and amortization	*12, 13, 14*	**1,662,555,043**	1,459,550,996	693,065,110
Interest expense	*18*	**426,567,595**	286,043,223	28,550,079
Interest income		**(134,728,099)**	(182,061,951)	(17,614,984)
Retirement benefits cost	*27*	**112,280,624**	80,223,585	52,152,980
Gain on insurance claim	*25*	**(38,721,771)**	(26,143,753)	-
Unrealized foreign exchange loss		**18,854,978**	48,073,684	847,376
Dividend income		**(10,107,548)**	(26,752,127)	-
(Gain) Loss on disposal of property and equipment		**(3,886,703)**	370,329	-
Unrealized loss (gain) in trading securities	*8, 25*	**3,852,970**	(8,581,093)	6,079,145
Gain on sale of available-for-sale financial assets		**(2,708,960)**	(451,588)	-
Provision for unrecoverable deferred mineral exploration costs	*24*	**-**	-	32,648,397
Operating income before changes in working capital		**11,838,314,013**	10,319,290,496	5,878,080,726
Decrease (increase) in:				
Receivables-net		**(326,146,612)**	(2,503,178,285)	(679,453,906)
Investments in trading securities		**3,015,878**	-	(11,310,914)
Inventories		**(2,948,600,163)**	(3,566,967,177)	(1,632,301,197)
Prepaid expenses and other current assets		**(643,159,254)**	538,067,960	118,077,637
Due from related parties		**(138,184,409)**	(18,044,438)	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**(606,993,490)**	237,279,251	2,249,360,421
Trust receipts payable		**5,182,021**	(16,543,219)	10,249,789
Due to related parties		**414,551,977**	(5,847,677)	(476,442,653)
Other current liabilities		**32,946,967**	-	-
Other noncurrent liabilities		**388,944,638**	935,621,966	217,175,717
Cash generated from operations		**8,019,871,567**	5,919,678,877	5,673,435,620
Income taxes paid		**(2,193,269,621)**	(2,358,955,450)	(1,002,084,268)
Interest paid		**(307,869,582)**	(252,082,823)	(28,550,079)
Retirement benefits paid	*27*	**(6,665,070)**	-	-
Net cash provided by operating activities		**5,512,067,294**	3,308,640,604	4,642,801,273

Forward

		Years Ended December 31		
	Note	**2015**	2014	2013
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of short-term investments		**P262,122,137**	P500,000,000	P2,780,681,316
Interest received		**134,728,099**	155,505,597	17,614,984
Proceeds from disposal of property and equipment		**82,788,521**	16,812,032	-
Proceeds from insurance claim		**38,721,771**	26,143,753	-
Dividends received		**10,107,548**	26,752,127	-
Proceeds from sale of available-for-sale financial assets		**4,000,000**	-	33,223,435
Decrease (increase) in oil and mineral exploration		**(1,728,063)**	(339,236)	31,328,609
Additions to investments	*11*	**(87,500,000)**	(472,289,945)	(439,775,237)
Increase in Other noncurrent assets		**(516,013,534)**	(1,413,258,392)	(33,680,465)
Effect of business combination		**(612,945,746)**	(2,287,583,949)	
Additions to intangibles	*14*	**(1,531,719,734)**	(33,220,300)	(199,463,156)
Additions to investment properties	*13*	**(2,239,468,274)**	(230,891,230)	(228,600,328)
Additions to property and equipment	*12*	**(2,415,450,405)**	(1,994,235,405)	(1,908,346,688)
Acquisition of subsidiaries		**-**	(2,856,834,529)	-
Additions to short-term investments	*5*	**-**	(824,078,115)	(537,152,133)
Proceeds from deposit for future subscriptions in a subsidiary		**-**	150,313,060	-
Net cash used in investing activities		**(6,872,357,680)**	(9,237,204,532)	(484,169,663)
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of long-term loans		**-**	6,450,000,000	-
Availment of short-term loans	*18*	**3,611,500,000**	1,750,600,000	3,448,881,500
Buyback of capital stocks		**(187,886,113)**	(7,863,092)	-
Payment of short-term loans		**(818,500,000)**	(703,500,000)	-
Cash dividends paid		**(1,358,713,991)**	(508,022,707)	-
Payment of long-term loans payable	*18*	**(1,006,800,000)**	-	(5,000,000,000)
Proceeds from issuance and subscriptions of capital stock		**-**	-	12,000,000,000
Contribution paid on plan assets		**-**	(25,000,000)	-
Payment for debt issue costs		**-**	(42,715,758)	-
Payments for share issue costs		**-**	-	(861,221,146)
Net cash provided by financing activities		**239,599,896**	6,913,498,443	9,587,660,354
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(18,854,978)**	(48,073,684)	(847,376)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,139,545,468)**	936,860,831	13,745,444,588
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**15,681,010,818**	14,744,149,987	998,705,399
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P14,541,465,350**	P15,681,010,818	P14,744,149,987

See Notes to the Consolidated Financial Statements.

1. Reporting Entity

Cosco Capital, Inc. (the "Parent Company" or "Cosco"), formerly Alcorn Gold Resources Corporation, 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 Parent Company's shares of stock are traded in the Philippine Stock Exchange (PSE) since September 26, 1988, the same date the Parent Company attained its status of being a public company.

On October 8, 1999, the stockholders approved the amendment of the primary purpose of the Parent Company 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 Parent Company. The SEC approved the amendment on January 13, 2000. As a holding company, Cosco may engage in any business that may add to its shareholders' worth.

On December 10, 2012, in a special meeting, the Board of Directors ("Board" or "BOD") approved the subscription of the "Lucio L. Co Group" to the unissued authorized capital stock of the Parent Company from the proposed increase in the authorized capital stock of the Parent Company at a subscription price of P15 per share for a total of 4,987,560,379 new shares at an aggregate subscription price of P74,813,405,685 worth of shares in Puregold Price Club, Inc., Ellimac Prime Holdings, Inc., Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc., Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Subsidiaries"), and the corresponding payment thereof by way of assignment of the shares owned by the Lucio L. Co Group in these Subsidiaries, under the terms and conditions to be determined by the Corporation's BOD.

On December 11, 2012, in a special meeting, the stockholders approved the amendment of the Parent 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 Parent Company from Alcorn Gold Resources Corporation into Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

On April 22, 2013, the SEC approved the change in the name of the Parent Company and the increase in its authorized capital stock with the corresponding change in par value. Further, the SEC confirmed the final number of subscribed shares of 4,987,406,421 at an aggregate revised subscription price of P74,811,096,315 which will be paid through assignment of shares (share swap). The transaction is exempt from the registration requirements of the Securities Regulation Code of the Philippines.

On May 31, 2013, pursuant to the SEC-approved increase of capital stock and share swap transaction, the Parent Company implemented the following: (a) issuance and listing of 4,987,406,421 new shares of the Parent Company; (b) cross trade at the PSE of Puregold Price Club, Inc. shares to the Parent Company as consideration for the issuance of the new shares; (c) issuance to the subscribers, the Lucio L. Co Group, pursuant to the share swap; and (d) special block sale at the PSE of 1,600,000,000 of the new shares placed to Qualified Institutional Buyers transacted at PSE at P10.50 per share.

As a result of the above transaction, the entities mentioned above became the subsidiaries of the Parent Company. The transaction has been accounted for as a business combination under common control, using the pooling of interest method. As allowed under PIC Q&A 2012-01, the pooling of interest method has been applied prospectively from the acquisition date. The assets and liabilities acquired are recognized at the respective book values or carrying amounts in the entities from June 1, 2013. The difference between the book values of the net assets acquired and the consideration paid or equity instruments issued is recognized in equity, under retained earnings account. The profit or loss of the subsidiaries from June 1, 2013 to December 31, 2013 are consolidated into the Parent Company. Comparative periods have not been restated.

The consolidated financial statements include the accounts of the Parent Company and the following subsidiaries (collectively referred to as "the Group"):

	Percentage of Ownership	
	2015	2014
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**51**	51
Montosco, Inc. (Montosco)	**100**	100
Meritus Prime Distributions, Inc. (Meritus)	**100**	100
Premier Wine and Spirits, Inc. (Premier)	**100**	100
Nation Realty, Inc. (NRI) [(1)]	**100**	100
118 Holdings, Inc. (118)	**100**	100
Patagonia Holdings Corp. (PHC)	**100**	100
Ellimac Prime Holdings, Inc. (EPHI)	**100**	100
Fertuna Holdings Corp. (FHC)	**100**	100
Pure Petroleum Corp. (PPC)	**100**	100
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	100
NE Pacific Shopping Centers Corporation (NPSCC) [(2)]	**100**	100
Office Warehouse, Inc. (OWI) [(3)]	**100**	100
Canaria Holdings Corporation (Canaria) [(4)]	**90**	90
Liquigaz Philippines Corporation (LPC) [(5)]	**90**	90
Calor Philippines Holdings, Inc. (Calor) [(4)]	**90**	90

(1) *The merger of Nation Realty, Inc., Go Fay & Co, Inc., SVF Corporation and 999 Shopping Mall, Inc. (Nation Realty, Inc. as the absorbing entity), was approved by SEC on January 29, 2014.*

(2) *Acquired on February 28, 2014.*

(3) *Acquired on May 1, 2014.*

(4) *Acquired on July 17, 2014.*

(5) *Acquired on July 21, 2014.*

Puregold Price Club, Inc.
Incorporated and registered with the SEC on September 8, 1998 to engage in the business of trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Its shares are listed in the Philippine Stock Exchange (PSE) since October 5, 2011 with stock symbol of PGOLD.

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

	Percentage of Ownership	
Subsidiaries	**2015**	2014
Kareila Management Corporation (KMC)	**100**	100
S&R Pizza (Harbor Point), Inc. [(d)]	**100**	-
PPCI Subic, Inc. (PSI)	**100**	100
Company E Corporation (Company E) [(a)]	**-**	100
Entenso Equities Incorporated (Entenso)	**100**	100
Goldtempo Company Incorporated (Goldtempo) [(b)]	**100**	-
Daily Commodities, Inc. (DCI) [(c)]	**100**	-
First Lane Super Traders Co., Inc. (FLSTCI) [(c)]	**100**	-

(a) *Acquired on January 14, 2013 through a stock acquisition. On April 1, 2015, Company E was merged with PPCI.*
(b) *Acquired on August 24, 2015 through Entenso. Goldtempo subsequently acquired the significant assets of Bargain City, Inc,. Multi-Merchantrade Inc. and Superplus Corporation ("Budgetlane Supermarkets").*
(c) *Acquired on February 3, 2015.*
(d) *A wholly-owned subsidiary of KMC incorporated on May 15, 2015.*

The following table summarizes the information relating to PPCI that has material NCI, before any intra-group elimination.

	December 31	
	2015	2014
Non-controlling interest percentage	**49%**	49%
Current assets	**P24,615,152,599**	P20,481,245,243
Noncurrent assets	**35,829,275,395**	33,185,150,452
Current liabilities	**(16,207,423,386)**	(13,835,055,296)
Noncurrent liabilities	**(5,823,787,846)**	(5,597,845,730)
Net assets	**38,413,216,762**	34,233,494,669
Carrying amount of non-controlling interests	**P18,822,476,213**	P16,774,412,388
Revenue	**P95,968,942,223**	P87,535,743,778
Net income for the year	**5,001,871,585**	4,520,457,686
Other comprehensive income	**41,311,137**	(39,441,493)
Total comprehensive income	**P5,043,182,722**	P4,481,016,193
Net income allocated to noncontrolling interest	**P2,450,917,077**	P2,195,697,935
Other comprehensive income allocated to non-controlling interests	**20,242,457**	(19,326,332)
Cashflow from operating activities	**3,327,402,425**	3,584,139,896
Cashflow from investing activities	**(4,255,867,188)**	(1,745,621,819)
Cashflow from financing activities	**416,531,870**	(378,821,525)
Net increase (decrease) in cash and cash equivalents	**(P511,932,893)**	P1,459,696,552

Montosco, Inc.
Incorporated and registered with the 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 the SEC on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and distributing 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 the SEC on July 19, 1996 to engage in the business of buying, selling, distributing 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 the 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 erected on any land's 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.

On November 28, 2013, NRI's Stockholders and BOD approved the merger of NRI being the surviving entity, with SVF Corporation, 999 Shopping Mall, Inc. and Go Fay & Co., Incorporada (collectively referred to as the "Absorbed Companies"). The merger was approved by the SEC on January 29, 2014.

118 Holdings, Inc.
Incorporated and registered with the SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property of 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 or 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, 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 the 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 and description, including shares of stock, 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 the SEC on December 10, 2001. It is principally involved in real estate leasing.

Fertuna Holdings Corp.
Incorporated and registered with the 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 of 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 the 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, diesel, used oil and other related product as may be permitted by law, in wholesale and retail basis.

Alcorn Petroleum and Minerals Corporation
Incorporated and registered with the SEC on July 5, 2013 primarily to carry on in the Philippines or elsewhere the business of exploration, discovery, development and exploitation of mineral oils, petroleum and in its natural state, rock or carbon oils, natural gas and all kinds of ores, metals, minerals and natural resources and the products and by-products thereof and etc.

NE Pacific Shopping Centers Corporation
Incorporated and registered with the SEC on August 14, 1996 to primarily engage in the establishment and management of shopping malls.

On February 28, 2014, Cosco acquired all the shares of NPSCC from NE, Inc. and Metro Pacific Investments Corp. Consequently, NPSCC became a wholly-owned subsidiary of Cosco.

Office Warehouse, Inc.
Incorporated and registered with the SEC on August 20, 1997 primarily to engage in the trading of office supplies both on wholesale and retail basis. OWI started commercial operations in April 1998.

On May 1, 2014, Cosco acquired all the shares of OWI from its previous owners. Consequently, OWI became a wholly-owned subsidiary of Cosco.

Canaria Holdings Corporation
Incorporated and registered with the SEC on June 5, 2013 primarily to invest in, purchase, subscribed for, or otherwise acquire and own, hold, use, develop, sell, assign, transfer, mortgage, pledge, exchange, or otherwise dispose real and personal property of every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and securities, contracts or obligations of any corporation or corporations, association or associations, domestic or foreign for whatever lawful purpose or purposes may have been organized, and to pay therefore in whole or in part in cash or by exchanging therefore stocks, bonds or other evidences, of indebtedness or other securities, of this or any other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidence of indebtedness or other securities, contracts, or obligations, to receive, collect and dispose of the interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned. In no case, however, shall the corporation engage a stockbroker or dealer in securities or and an investment house, mutual fund of trust company.

On July 17, 2014, the previous owner of Canaria entered into an agreement with Cosco to sell all their shares, rights, title and interest in Canaria to Cosco. On the same date, Cosco subscribed additional shares amounting to thirty-two thousand five hundred (32,500) common shares from the unissued shares of Canaria. Further, the remaining five thousand (5,000) common shares were subscribed by an individual through PR Gaz Holdings, Inc or "PGHI". Consequently, Canaria became 90% owned by Cosco and 10% owned by PGHI.

The following table summarizes the information relating to Canaria's NCI, before any intra-group elimination.

	December 31	
	2015	2014
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,960,330**	P2,927,805
Noncurrent assets	**3,528,491,753**	3,528,491,753
Current liabilities	**(128,801)**	(3,526,532,060)
Noncurrent liabilities	**(3,429,215,443)**	-
Net assets	**102,107,839**	4,887,498
Carrying amount of non-controlling interests	**P10,210,784**	P488,750
Revenue	**P41,994**	P2,501
Net income for the year	**(31,875)**	(102,002)
Total comprehensive loss	**(P31,875)**	(P102,002)
Net income (loss) allocated to noncontrolling interest	**(P3,187)**	(P10,200)
Cashflow from operating activities	**(94,453,093)**	(3,529,679,346)
Cashflow from financing activities	**94,494,588**	3,531,155,160
Net increase in cash	**P41,495**	P1,475,814

Liquigaz Philippines Corporation
Incorporated and registered with the SEC on July 26, 1995 primarily to engage in the business of import, export, storage and transshipment of liquefied petroleum gas (LPG), filling and distribution of LPG cylinders to dealers, distribution of LPG in bulk to industrial, wholesale and other customers, installation of equipment at the site of LPG users, and any other activity related to LPG distribution. On August 24, 2009, the SEC approved the amendment of LPC's Articles of Incorporation to specifically include management and operation of service stations providing alternative fuel, such as Automotive Liquefied Petroleum Gas (Autogas) but not limited to LPG.

Prior to the acquisition and transfer, LPC is a wholly-owned subsidiary of SHV Calor Asia B.V. or "SHV Calor", a company incorporated and domiciled in Utrecht, Netherlands, whose ultimate parent is SHV Holdings N.V., also a Dutch company.

On November 21, 2013, SHV Calor entered into a Share Sale and Purchase agreement with PR Gaz, Inc. or "PR Gaz" to sell SHV Calor's shareholdings in LPC subject to compliance with certain terms and conditions as embodied in the agreement.

On July 21, 2014, PR Gaz entered into an agreement with Canaria to sell, cede, transfer and convey all of its rights, interest and title in LPC. Canaria acquired 826,530 shares or 100% of the issued and outstanding share capital of LPC. Consequently, Canaria became the parent company of LPC which made it 90% - indirectly owned by Cosco.

The following table summarizes the information relating to LPC's NCI, before any intra-group elimination.

	December 31, 2015	
	2015	2014
Non-controlling interest percentage	**10%**	10%
Current assets	**P2,373,511,526**	P2,359,438,697
Noncurrent assets	**1,352,608,941**	1,325,927,055
Current liabilities	**(1,255,853,179)**	(1,324,076,732)
Noncurrent liabilities	**(27,285,737)**	(28,307,621)
Net assets	**2,442,981,551**	2,332,981,399
Carrying amount of non-controlling interests	**P244,298,155**	P233,298,140
Revenue	**P11,854,480,944**	P18,955,724,149
Net income for the year	**454,717,747**	383,493,609
Other comprehensive income	**-**	685,318
Total comprehensive income	**P454,717,747**	P384,178,927
Net income allocated to noncontrolling interest	**P45,471,775**	P38,349,361
Other comprehensive income allocated to non-controlling interests	**-**	68,532
Cashflow from operating activities	**1,301,146,368**	704,363,970
Cashflow from investing activities	**(110,087,396)**	(116,378,618)
Cashflow from financing activities	**659,200,014**	(271,297,396)
Net increase in cash and cash equivalents	**P1,850,258,986**	P316,687,956

Calor Philippines Holdings, Inc.
Incorporated and registered with the SEC on January 12, 1999 primarily to acquire for investment and to sell properties, among others, provided that Calor shall not engage in the business of an open-ended investment company as defined in the Investment Company Act (Republic Act 2629).

Prior to acquisition and transfer, Calor is 60% owned by Supralex Asia ventures Trading, Inc. or "Supralex" and 40% owned by SHV Calor Asia B.V. or "SHV Calor".

On April 23, 1999, SHV Calor entered into an agreement with LPC to sell, transfer and convey all its right, title and interest in Calor.

On July 15, 2014, Supralex entered into an agreement with Canaria to sell all its rights, title, and interest in Calor. Supralex owned 36,075 share or sixty percent (60%) equity interest in Calor. Consequently, Canaria became the parent company of CPHI that made it 90% - indirectly owned by Cosco.

The following table summarizes the information relating to Calor's NCI, before any intra-group elimination.

	December	
	2015	2014
Non-controlling interest percentage	**10%**	10%
Current assets	**P23,692**	P23,692
Noncurrent assets	**40,304,272**	37,700,432
Current liabilities	**(32,605,310)**	(31,275,248)
Noncurrent liabilities	**(3,813,925)**	(4,661,464)
Net assets	**3,908,729**	1,787,412
Carrying amount of non-controlling interests	**P390,873**	P178,741
Revenue	**P2,603,840**	P2,403,399
Net income for the year	**2,121,317**	1,709,540
Total net income/comprehensive income	**P2,121,317**	P1,709,540
Net income allocated to noncontrolling interest	**P212,132**	P170,954
Cashflow from operating activities	**P -**	P -
Cashflow from investing activities	**-**	-
Cashflow from financing activities	**-**	-
Movement in cash in bank	**P -**	P -

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

The Parent Company's registered office, which is also its principal place of business, is at 900 Romualdez Street, Paco, Manila.

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on April 1, 2016.

Basis of Consolidation

Business Combinations Under Common Control

Business combinations arising from transfer of interest in entities under control are accounted for using the pooling of interest method, prospectively from the acquisition date as allowed under PIC Q&A 2012-01. Under the prospective pooling of interest method, the assets and liabilities acquired are recognized at the book values or carrying amounts recognized in the acquiree's stand alone financial statements from the acquisition date. The difference between the book value of net assets acquired and the consideration paid or equity instruments issued is recognized in equity, under retained earnings. The profit or loss of the acquirees are consolidated from the acquisition date. Comparative periods are not restated.

Business Combinations other than Under Common Control

Business combinations and acquisition of entities other than those under common control are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquire; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- the net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Subsidiaries

Subsidiaries are entities controlled by the Group. In accordance with PFRS 10 *Consolidated Financial Statements*, the Group controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling Interests

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented in the consolidated statements of comprehensive income and within equity in the consolidated statements of financial position, separately from the Group's equity attributable to equity holders of the Parent Company. Losses applicable to the non-controlling interests in a subsidiary (including components of other comprehensive income) are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

NCI is measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Transactions Eliminated on Consolidation
All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions that are recognized in assets and liabilities, are eliminated in preparing the consolidated financial statements, in accordance with the accounting policy on consolidation. Unrealized losses are eliminated unless costs cannot be recovered.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company, using consistent accounting policies for like transactions and other events in similar circumstances.

Basis of Measurement
The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for the following items, which are measured on an alternative basis on each reporting date:

Items	Measurement bases
Investments in trading securities	Fair value
Available-for-sale financial assets	Fair value
Net defined liability	Present value of the defined benefit obligation less fair value of plan assets

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. All financial information expressed in Philippine peso has been rounded off to the nearest peso, unless otherwise stated.

Use of Estimates and Judgments
The Group's consolidated financial statements prepared in accordance with PFRSs require management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements at the reporting date. However, uncertainty about these estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

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

Determination of Functional Currency
Based on the economic substance of the underlying circumstances relevant to the Parent Company, the functional currency of the Parent Company has been determined to be the Philippine peso. It is the currency of the primary economic environment in which the Parent Company operates and the currency that mainly influences its revenues and expenses.

Classifying Financial Instruments
The Group exercises judgments in classifying a financial instrument, or its component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset or liability. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statements of financial position.

In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether the quoted prices are readily and regularly available and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

Financial assets are classified as financial assets at fair value through profit or loss (FVPL), held-to-maturity (HTM) investments, loans and receivables and available-for-sale (AFS) financial assets. Financial liabilities, on the other hand, are classified as either financial liabilities at FVPL or other financial liabilities.

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

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

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

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

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

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

The fair values of the Group's financial instruments are presented in Note 33 to the consolidated financial statements, while the fair values of the Group's investment properties are disclosed in Note 13.

Assessing Joint Arrangements
The Group determines the type of joint arrangement in which it is involved by considering its rights and obligations. An entity assesses its rights and obligations by considering the structure and legal form of the arrangement, the contractual terms agreed to by the parties to the arrangement and, when relevant, other facts and circumstances. Joint arrangements is classified into two types: joint operations and joint ventures. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e., joint venturers) have rights to the net assets of the arrangement.

The Group has determined that its investments in joint arrangements are classified as investments in joint ventures.

As at December 31, 2015 and 2014, the cost of its investments in joint ventures amounted to P485.46 million and P450.46 million, respectively (see Note 11).

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

The Group has determined that its properties held by the retail business are classified as owner-occupied properties while the land and building improvements held for lease are investment properties.

Assessment of Computer Software and Licenses and Leasehold Rights
The Group acquired computer software and licenses and leasehold rights to be used for its primary line of business. Based on the following attributes, the Group assessed that the computer software and licenses and leasehold rights are intangible assets since: (1) these are separable; in the case of computer software and licenses, these are not integral part of the related hardware, thus, the Group can sell the software and licenses individually or together with a related contract, asset or liability, and (2) they arose from contractual or other legal rights.

Assessing Lease Agreements
The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date and requires assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and arrangement conveys a right to use the asset.

Operating Leases - Group as a Lessee
The Group has entered into various lease agreements as a lessee. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent expense recognized in profit or loss amounted to P1,905.02 million, P1,669.92 million and P803.1 million in 2015, 2013, and 2012, respectively (see Notes 21, 22 and 24).

Operating Leases - Group as a Lessor
The Group has entered into various lease agreements as a lessor to sublease portion of its stores to various lessees. The Group has determined that the lessor retains all significant risks and rewards of ownership of these properties which are leased out under operating lease arrangements.

Rent income recognized in profit or loss amounted to P371.26 million, P356.99 million and P157.46 million in 2015, 2014 and 2013, respectively (see Notes 22 and 23).

Estimates
The key estimates and assumptions used in the consolidated financial statements are based on management's evaluation of relevant facts and circumstances as at the reporting date. Actual results could differ from such estimates.

Estimating Allowance for Impairment Losses on Receivables
The Group maintains an allowance for impairment losses on receivables at a level considered adequate to provide for uncollectible receivables. The level of this allowance is evaluated by the Group on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with debtors and, their payment behavior and known market factors. The Group reviews the age and status of the receivable, and identifies accounts that are to be provided with allowance on a regular basis. The amount and timing of recorded expenses for any period would differ if the Group made different judgment or utilized different estimates. An increase in the Group's allowance for impairment losses on receivables would increase the Group's recorded operating expenses and decrease current assets.

The allowance for impairment losses on receivables amounted to P149.68 million and P164.46 million as at December 31, 2015 and 2014, respectively. The carrying amount of receivables amounted to P5,648.82 million and P5,321.99 million as at December 31, 2015 and 2014, respectively (see Note 6).

Estimating Allowance for Impairment Losses on AFS Financial Assets
The Group in accordance with PFRSs determines when an AFS financial asset is impaired. This determination requires significant judgment. In making this judgment the Group evaluates, among other factors the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss by transferring the accumulated fair value adjustments recognized in equity on the impaired AFS financial assets to profit or loss. As at December 31, 2015 and 2014, management believes that changes in fair values as quoted in the market of traded securities remain temporary. Accordingly, no permanent impairment is required to be recognized.

Estimating Net Realizable Value (NRV) of Inventories
The Group carries inventories at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (i.e., pre-termination of contracts). The estimate of the NRV is reviewed regularly.

Estimates of NRV are based on the most reliable evidence available at the time the estimates are made on the amount the inventories are expected to be realized. These estimates take into consideration fluctuations of price or cost directly relating to events occurring after 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 inventories amounted to P16,740.69 million and P13,921.69 million as at December 31, 2015 and 2014, respectively (see Note 7).

Estimating Useful Lives of Property and Equipment
The Group estimates the useful lives of property and equipment based on the period over which the assets are expected to be available for use. The estimated useful lives of property and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets.

In addition, the estimation of the useful lives of property and equipment is based on 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. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Depreciation and amortization recognized in profit or loss amounted to P1,485.38 million, P1,322.07 million and P634.92 million in 2015, 2014 and 2013, respectively (see Notes 21 and 24). Property and equipment, net of accumulated depreciation, amounted to P16,136.87 million and P15,285.19 million as at December 31, 2015 and 2014, respectively (see Note 12).

Estimating Useful Lives of Computer Software and Licenses and Leasehold Rights
The Group estimates the useful lives and amortization methods of computer software and licenses and leasehold rights are based on the period and pattern in which the assets' future economic benefits are expected to be consumed by the Group. The estimated useful lives and amortization period of computer software and licenses and leasehold rights are reviewed at each reporting date and are updated if there are changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the computer software and licenses and leasehold rights. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in the estimates used.

Amortization recognized in profit or loss amounted to P26.29 million, P13.76 million and P10.38 million in 2015, 2014 and 2013, respectively. Net carrying value of computer software and licenses and leasehold rights amounted to P247.91 million and P235.22 million as at December 31, 2015 and 2014, respectively (see Note 14).

Impairment of Goodwill, Trademarks and Customer Relationships with Indefinite Lives
The Group determines whether goodwill, trademarks and customer relationships are impaired at least annually. This requires the estimation of the recoverable amounts of the goodwill, trademarks and customer relationships. Estimating recoverable amounts requires management to make an estimate of the expected future cash flows from the cash-generating unit to which the goodwill, trademarks and customer relationships relate and to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amounts of goodwill, trademark and customer relationships with indefinite useful lives amounted to P22,310.16 million and P20,817.42 million as at December 31, 2015 and 2014, respectively (see Note 14).

Estimation of Reserves
Oil and mineral reserves are key elements in the Group's investment decision making process. They are also an important element in the Group's impairment testing. Changes in proven oil and mineral reserve will affect the standardized measure of discounted cash flows and the unit-of-production depletion charges to profit or loss.

Proven oil reserves are the estimated quantities of crude oil which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e., prices and costs as of the date the estimates are made. Proven developed reserves are reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.

Proven mineral reserves are the economically mineable part of a measured mineral resource. It includes diluting materials and allowance for losses which may occur when the material is mined. Appropriate assessment, which includes a pre-feasibility study, at the minimum, have been carried out, and include consideration of, and modification of, realistically assumed mining, metallurgical, economic, marketing, legal environment, social and government factors. These assessments demonstrate that extraction could reasonably be adjusted at the reporting date.

Estimates of oil and mineral reserves are inherently imprecise, require the application of judgment and are subject to future revision. Accordingly, financial and accounting measures (such as the standardized measure of discounted cash flows, depletion, and decommissioning provisions) that are based on proven developed reserves are also subject to change.

Proven developed oil reserves are estimated by reference to available reservoir and well information, including production and pressure trends for producing reservoirs and, in some cases, subject to definitional limits, to similar data from other producing reservoirs. Proven developed reserve estimates are attributed to future development projects only where there is a significant commitment to project funding and execution and for which applicable governmental and regulatory approvals have been secured or are reasonably certain to be secured. Furthermore, estimated proven developed reserves only include volumes for which access to market is assured with reasonable certainty. All proven developed reserve estimates are subject to revision, either upward or downward, based on new information, such as from development drilling and production activities or from changes in economic factors, including product prices, contract terms or development plans.

In general, estimates of reserves for undeveloped or partially developed fields are subject to greater uncertainty over their future life than estimates of reserves for fields that are substantially developed and depleted. As a field goes into production, the estimated amount of proven reserves will be subject to future revisions once additional information becomes available through, for example, the drilling of additional wells or the observation of long-term reservoir performance under producing conditions. As those fields are further developed, new information may lead to revisions in estimates (see Note 15).

Estimating Realizability of Deferred Tax Assets
The Group reviews its deferred tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. The Group reviews its projected performance in assessing the sufficiency of future taxable income.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Group has recognized deferred tax assets amounting to P1,274.95 million and P1,000.60 million as at December 31, 2015 and 2014, respectively (see Note 28).

Impairment of Non-financial Assets
PFRSs require that an impairment review be performed on non-financial assets other than merchandise inventory and deferred tax assets when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Determining the recoverable amount of assets requires estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets. While it is believed that the assumptions used in the estimation of recoverable amounts are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable amount and any resulting impairment loss could have a material adverse impact on the financial performance.

There were no impairment losses on property and equipment and other non-financial assets recognized in 2015, 2014 and 2013.

Estimating Retirement Benefits/Obligation
The determination of the Group's obligation and cost of retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rate and salary increase rates. Remeasurements of the retirement benefit obligation are recognized in other comprehensive income and comprise of actuarial gains and losses on the retirement benefit obligation, return on plan assets, excluding amounts included in the net interest of the pension benefit obligation and any change in the effect of the asset ceiling, excluding amounts included in the net interest on the pension benefit obligation.

Retirement benefits liability amounted to P479.82 million and P433.44 million as at December 31, 2015 and 2014, respectively (see Note 27).

Estimating Provisions and Contingencies
The Group, in the ordinary course of business, sets up appropriate provision for its present legal or constructive obligations in accordance with its policies on provisions and contingencies. In recognizing and measuring provisions, management takes risks and uncertainties into account.

As at December 31, 2015 and 2014, the Group does not have any contingent legal or constructive obligation that requires provision.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements, and have been applied consistently by the Group, except for the changes in accounting policies as explained below.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The Group has adopted the following amendments to standards starting January 1, 2015 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to the standards did not have any significant impact on the Group's consolidated financial statements:

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

  - *Classification and measurement of contingent consideration* (*Amendments to PFRS 3*). The amendments clarify the classification and measurement of contingent consideration in a business combination. When contingent consideration is a financial instrument, its classification as a liability or equity is determined by reference to *PAS 32 Financial Instruments: Presentation*, rather than to any other PFRSs. Contingent consideration that is classified as an asset or a liability is always subsequently measured at fair value, with changes in fair value recognized in profit or loss.

Consequential amendments are also made to *PAS 39 Financial Instruments: Recognition and Measurement* and *PFRS 9 Financial Instruments* to prohibit contingent consideration from subsequently being measured at amortized cost. In addition, *PAS 37 Provisions, Contingent Liabilities and Contingent Assets* is amended to exclude provisions related to contingent consideration.

- *Scope exclusion for the formation of joint arrangements (Amendment to PFRS 3*). PFRS 3 has been amended to clarify that the standard does not apply to the accounting for the formation of all types of joint arrangements in *PFRS 11 Joint Arrangements* - i.e. including joint operations - in the financial statements of the joint arrangements themselves.

- *Disclosures on the aggregation of operating segments* (*Amendment to PFRS 8*). PFRS 8 has been amended to explicitly require the disclosure of judgments made by management in applying the aggregation criteria. The disclosures include: a brief description of the operating segments that have been aggregated; and the economic indicators that have been assessed in determining that the operating segments share similar economic characteristics. In addition, this amendment clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets is required only if this information is regularly provided to the entity's chief operating decision maker. This change aligns the disclosure requirements with those for segment liabilities.

- *Scope of portfolio exception (Amendment to PFRS 13*). The scope of the PFRS 13 portfolio exception – whereby entities are exempted from measuring the fair value of a group of financial assets and financial liabilities with offsetting risk positions on a net basis if certain conditions are met – has been aligned with the scope of PAS 39 and PFRS 9.

  PFRS 13 has been amended to clarify that the portfolio exception potentially applies to contracts in the scope of PAS 39 and PFRS 9 regardless of whether they meet the definition of a financial asset or financial liability under PAS 32 – e.g. certain contracts to buy or sell non-financial items that can be settled net in cash or another financial instrument.

- *Definition of 'related party' (Amendment to PAS 24)*. The definition of a 'related party' is extended to include a management entity that provides key management personnel (KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 - e.g. loans.

- *Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)*. PAS 40 has been amended to clarify that an entity should assess whether an acquired property is an investment property under PAS 40 and perform a separate assessment under PFRS 3 to determine whether the acquisition of the investment property constitutes a business combination. Entities will still need to use judgment to determine whether the acquisition of an investment property is an acquisition of a business under PFRS 3.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2015. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 2016

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38)*. The amendments to *PAS 38 Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

  The amendments to *PAS 16 Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle*. This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

  - *Offsetting disclosures in condensed interim financial statements (Amendment to PFRS 7)*. PFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)* are not specifically required for inclusion in condensed interim financial statements for all interim periods; however, they are required if the general requirements of *PAS 34 Interim Financial Reporting* require their inclusion.

  The amendment to PFRS 7 is applied retrospectively, in accordance with *PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*.

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

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

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

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

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

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

Effective January 1, 2018

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

  The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018 with early adoption permitted.

  The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

Effective January 1, 2019

- *PFRS 16 Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

  PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is not permitted until the FRSC has adopted PFRS 15. The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date once adopted locally.

- *PFRS 15 Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

  However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Deferral of the local implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate

- Philippine Interpretation IFRIC 15 *Agreements for the Construction of Real Estate* applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. It provides guidance on the recognition of revenue among real estate developers for sales of units, such as apartments or houses, 'off plan'; i.e., before construction is completed. It also provides guidance on how to determine whether an agreement for the construction of real estate is within the scope of PAS 11 *Construction Contracts*, or PAS 18 *Revenue*, and the timing of revenue recognition.

  The SEC issued a Notice dated August 5, 2011 to further defer the implementation of Philippine Interpretation IFRIC 15 Agreements for the Construction of Real Estate until the final Revenue standard is issued by the International Accounting Standards Board (IASB) and after an evaluation on the requirements and guidance in the said standard vis-à-vis the practices and regulations in the Philippine real estate industry is completed.

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value. The initial measurement of financial instruments, except for those designated at fair value through profit or loss (FVPL), includes directly attributable transaction costs.

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

The Group had no HTM investments and FVPL financial liabilities as at December 31, 2015 and 2014.

Financial Assets at FVPL

Financial assets at FVPL include financial assets held for trading and financial assets designated upon initial recognition at FVPL and those classified under this category through the fair value option.

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

Financial assets may be designated by management at initial recognition at FVPL or reclassified under this category through fair value option, when any of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or

- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

The Group carries financial assets at FVPL using fair values. Fair value changes and realized gains and losses are recognized as part of profit or loss.

The Group's investments in trading securities are classified under this category.

The carrying amounts of financial assets under this category amounted to P34.43 million and P37.45 million as at December 31, 2015 and 2014, respectively (see Note 8).

Loans and Receivables

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

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Interest income" in profit or loss on an accrual basis. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

The Group's cash and cash equivalents, short-term investments, receivables, due from related parties and security deposits are included in this category (see Notes 4, 5, 6, 32 and 33).

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

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

AFS financial assets also include investments in unquoted equity instruments which are carried at cost less impairment, if any, since the fair value cannot be determined reliably in the absence of an observable market data on the related assets.

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

The Group's accounts payable and accrued expenses, short-term loans and long-term loans payable, due to related parties, trust receipts payable, other current liabilities and noncurrent accrued rent are included in this category (see Notes 17, 18, 19, 32 and 33).

Debt Issue Costs
Debt issue costs are considered as directly attributable transaction costs upon initial measurement of the related debt and are subsequently considered as an adjustment to the amortized cost and effective yield of the related debt using the effective interest method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

Derecognition of Financial Assets and Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

<u>Offsetting Financial Instruments</u>
Financial assets and financial 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 asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statements of financial position.

<u>Inventories</u>
Inventories is stated at the lower of cost and NRV. Cost is determined using the moving average method. Costs comprise of purchase price, including duties, transport and handling costs, and other incidental expenses incurred in bringing the merchandise inventory to its present location and condition.

NRV is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

<u>Investments in Joint Ventures and Associates</u>
A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control on an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

An associate is an enterprise in which the investor has significant influence but not control, generally accompanying a shareholding between 20% and 50% of the voting rights.

The Group's investments in joint ventures and associates are accounted for under the equity method of accounting. Under the equity method, investments in joint ventures and associates are initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss of the investments in joint ventures and associates after the date of acquisition. The Group's share in profit or loss of the joint ventures and associates are recognized in the Group's profit or loss. Dividends received from the investments in joint ventures and associates reduce the carrying amount of the investments.

Investment in a Joint Operation

A joint arrangement is classified as joint operations when the Group has rights to the assets and obligations for the liabilities relating to the arrangement. The Group recognizes its share in the results of the joint arrangement aside from the compensation from the use of its land and building. The Group has no capital commitments or contingent liabilities in relation to its interests in joint arrangements.

Property and Equipment

Property and equipment, excluding land and construction in progress, are carried at cost less accumulated depreciation, amortization and impairment losses, if any. Land is carried at cost. Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Construction in progress is not depreciated until such time that the relevant assets are ready for use.

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures 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, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

Wells, platforms and other facilities comprising oil and gas property represents the Company's share in the Service Contract (SC) 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proven developed reserves. Proven developed reserves are the portion of reserves that are reasonably certain to be produced and sold during the remaining period of existing production licenses and agreements. The effect of revisions of previous estimates of proved developed reserves is taken up prospectively in the unit–of-production calculation.

Estimates of decommissioning and abandonment costs, which are accrued based on unit-of-production rate, which depends on approved budget and reserve estimates, are also included in the wells, platforms and other facilities account as these costs are treated as recoverable costs to be deducted from oil sales proceeds prior to remittance of government share as indicated in the agreement among Consortium members under the SC.

Depreciation and amortization are computed on a straight-line basis over the estimated useful lives of the related assets as follows:

	Number of Years
Building	15 - 30
Wells, platforms and other facilities	25
Furniture and fixtures	2 - 20
Office and store equipment	2 - 15
Transportation equipment	3 - 5
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization methods are reviewed at each reporting date to ensure that they are consistent with the expected pattern of economic benefits from those assets.

When an asset is disposed of, or is permanently withdrawn from use and no future economic benefits are expected from its disposal, the cost and accumulated depreciation, amortization and impairment losses, if any, are removed from the accounts and any resulting gain or loss arising from the retirement or disposal is recognized in profit or loss.

Investment Properties

Investment properties consist of properties such as building held to earn rentals and/or for capital appreciation but not for sale in the ordinary course of business, used in the production or supply of goods or services or for administrative purposes, is initially measured at cost. The cost of investment property includes purchase price and directly attributable expenditure on preparing the asset for its intended use. Subsequent to initial recognition, investment property is carried at cost less depreciation and impairment loss.

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 occupation.

Depreciation of building is computed using the straight-line method over 50 years.

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

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner's occupation or commencement of an operating lease to another party. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of the owner's occupation or commencement of development with a view to sale.

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

Intangible Assets and Goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see policy on basis of consolidation. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, 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

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

The Group assessed the useful life of trademark and customer relationship to be indefinite. Based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate cash inflows for the Group.

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

Computer software and licenses and leasehold rights are separately acquired by the Group that has finite useful life is measured at cost less accumulated amortization and impairment losses, if any.

Subsequent costs are capitalized only when they increase the future economic benefits embodied in the capitalized software to which they relate. All other expenditures are recognized in profit or loss when incurred.

The amortization is computed using the straight-line method over the estimated useful life of the capitalized software from the date it is available for use and amortized over five (5) years. Leasehold rights are amortized on a straight-line basis over the lease period of twenty (20) years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Deferred Oil and Mineral Exploration Costs

Deferred oil and exploration costs are accounted for using the full-cost method, where all acquisition, exploration and development costs are capitalized as deferred costs when incurred and on the basis of each contract area. Where oil and gas of commercial quantity is produced, the exploration and development costs are reclassified to and capitalized as wells, platforms and other facilities under the "Property and equipment" account. Producing and non-producing contract areas are evaluated periodically and considering a number of factors, a determination is made whether it is probable that a significant impairment of the carrying cost of deferred oil and mineral exploration costs of each contract area has occurred. If impairment is believed to have occurred, a further analysis is performed to determine the impairment to be recorded for specific contract areas.

If the Company abandons all exploration efforts in a contract area where there are no proven reserves, all acquisition and exploration costs associated with the contract area are recognized in profit or loss. A contract area is considered abandoned if the contract has expired and/or there are no definite plans for further exploration and development.

Proceeds from the sale of crude oil lifted from an area under production testing during the exploration stage are applied against deferred oil exploration costs.

Expenditures for mineral exploration and development work are capitalized as deferred costs when incurred. These expenditures are provided for with an allowance for impairment when there are indications that the exploration results are negative. These are recognized in profit or loss when the projects are abandoned or determined to be definitely unproductive. When the exploration work results are positive, the exploration costs and subsequent development costs are capitalized and amortized using the unit of production method from the start of commercial operations.

Impairment of Assets

Financial Assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

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

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

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

All impairment losses are recognized in profit or loss.

Non-financial Assets
The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill and indefinite-lived intangible assets are tested annually for impairment. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value of money and the risks specific to the asset or CGU. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Retirement Benefits Cost

The Group's net obligation in respect of the defined benefit plan is calculated by estimating the amount of the future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligation is performed on a periodic basis by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan, if any.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss.

The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Deposits for Future Stocks Subscription

Deposit for future stocks subscription represents deposits from stockholders which will be applied against subscriptions to shares of stock of the Company. This is recognized as a liability if it does not meet all the elements of an equity instrument.

Capital Stock

Capital stock is classified as equity. Incremental costs directly attributable to the issuance of capital stock are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

Retained Earnings and Dividend Distribution

Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability, and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

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

<u>Other Comprehensive Income</u>
Other comprehensive income are items of income and expense (including reclassification adjustments, if any) such as remeasurements of defined benefit plans that are not recognized in profit or loss as required or permitted by the related accounting standards.

<u>Revenue and Expense Recognition</u>
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

- *Sale of Goods* is recognized when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

- *Sale of Services*

  Rent Income is recognized on a straight-line basis over the lease term.

  Concession Income pertains to the fixed percentage income from sales of concessionaire supplier's goods sold inside the store. The income is recognized when earned.

  Membership Income refers to fees from members wherein such fees permit only membership, and all other services or products are paid for separately. The fee is recognized as revenue when no uncertainty as to its collectability exists.

  Production Lifting Revenue is recognized at the time of oil lifting on an entitlement basis where revenue is allocated and distributed among the joint venture partners and the Philippine Government based on the participating interest in a specific contract area.

  Interest 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 the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

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

Other Income from display, demonstration or sampling, endcap or palette income, merchandise support and miscellaneous income are recognized when earned.

Cost of Sales
Cost of sales includes the purchase price of the products sold, as well as costs that are directly attributable in bringing the merchandise to its intended condition and location. These costs include the cost of storing and transporting the products (i.e., freight costs or trucking costs, cross-dock delivery fees, and other direct costs). Vendor returns and allowances are generally deducted from cost of merchandise sold.

Cost of Services
Cost of services pertains to direct expenses incurred for the lease of investment properties. This primarily includes repairs and maintenance, real property taxes, depreciation, utilities and other related expenses.

This also includes services incurred in relation to the management of such investment properties.

Operating Expenses
Operating expenses constitute costs of administering the business. These are recognized as expenses as incurred.

Borrowing Costs
Borrowing costs are recognized as expenses when incurred, except to the extent capitalized. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

Income Taxes
Current Tax
Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred Tax
Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits - Minimum Corporate Income Tax (MCIT) and unused tax losses - Net Operating Loss Carryover (NOLCO), to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward benefits of MCIT and NOLCO can be utilized, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Value Added Tax (VAT)
Revenues, expenses and assets are recognized net of the amount of VAT, except:

- where the tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with the amount of tax included.

The net amount of tax recoverable from, or payable to, the taxation authority is included as part of "Prepaid expenses and other current assets" or "Accounts payable and accrued expenses" in the consolidated statements of financial position.

<u>Leases</u>
Group as Lessee
Leases in which a significant portion of the risks and rewards of ownership is retained by the lessor are classified as operating leases. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease.

Group as Lessor
Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Rent income from operating leases is recognized as income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized as an expense over the lease term on the same basis as rent income.

Related Parties
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

Foreign Currency Transactions and Translation
Transactions in currencies other than Philippine peso are recorded at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting date. Assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Gains and losses arising from foreign currency transactions are recognized in profit or loss.

Segment Reporting
The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 30 to the consolidated financial statements. The Chief Executive Officer (the "chief operating decision maker") reviews management reports on a regular basis.

The measurement policies the Group used for segment reporting under PFRS 8, are the same as those used in its consolidated financial statements. There have been no changes in the measurement methods used to determine reported segment profit or loss from prior periods.

Segment revenues, expenses and performance include sales and purchases between business segments. Such sales and purchases are eliminated in consolidation.

Provisions and Contingencies
A provision is recognized when the Group has a legal or constructive obligation as a result of a past event; it is probable that an outflow of economic benefits will be required to settle the obligation; and a reliable estimate can be made on the amount of the obligation.

Provisions are revisited at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pretax rate that reflects the current market assessment of the time value of money, and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Basic and Diluted Earnings Per Share (EPS)
Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period, after retroactive adjustment for stock dividend declared in the current period, if any. Diluted EPS is also computed in the same manner as the aforementioned, except that, the net income and the number of common shares outstanding is adjusted for the effects of all potential dilutive debt or equity instruments.

Events After the Reporting Date
Post year-end events that provide additional information about the Group's position at the reporting date (adjusting events) are recognized in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

4. Cash and Cash Equivalents

This account consists of:

	Note	**2015**	2014
Cash on hand		**P781,359,016**	P1,326,831,502
Cash in banks	*32, 33*	**3,538,525,193**	2,877,998,722
Money market placements	*32, 33*	**10,221,581,141**	11,476,180,594
		P14,541,465,350	P15,681,010,818

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2015 and from 1.00% to 2.80% in 2014.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.5% to 1.875% in 2015 and 1.625% to 1.85% in 2014.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2015**	2014
Nation Realty, Inc.		**P479,199,327**	P472,361,589
Pure Petroleum		**50,143,836**	-
Ellimac Prime Holdings, Inc.		**32,612,815**	75,498,968
Patagonia Holdings, Corp.		**-**	204,379,143
118 Holdings, Inc.		**-**	71,838,415
	32, 33	**P561,955,978**	P824,078,115

6. Receivables

This account consists of:

	Note	**2015**	2014
Trade receivables	*a*	**P4,386,520,928**	P4,611,226,154
Non-trade receivables	*b*	**1,229,679,232**	676,649,276
Others		**181,617,188**	198,568,313
		5,797,817,348	5,486,443,743
Less allowance for impairment losses on trade receivables from third parties	*a*	**149,684,186**	164,457,192
	32, 33	**P5,648,133,162**	P5,321,986,551

a. Majority of trade receivables pertain to credit card transactions which are due within 30 days or its normal credit period. The Group partners only with reputable credit card companies affiliated with major banks.

   Management believes that except for the accounts provided with allowance for impairment losses amounting to P149.68 million and P164.46 million as at December 31, 2015 and 2014, all other receivables are collectible and therefore, no additional allowance is necessary.

   The movements in the allowance for impairment losses in respect of trade receivables are as follows:

	2015	2014
Beginning balance	**P164,457,192**	P20,581,380
Effect of business combination	**-**	193,433,835
Provision for doubtful accounts recognized during the year	**11,294,211**	6,371,835
Write-off during the year	**(26,067,217)**	(55,929,858)
Ending balance	**P149,684,186**	P164,457,192

b. Non-trade receivables represent the amounts due from tenants in relation to rentals of store spaces. This account also includes due from suppliers with respect to “demo” or “sampling” conducted by suppliers’ representatives and strategic locations granted to suppliers with regard to the display of their products in the selling area of the stores. It also includes advances to employees which are collected by the Group through salary deduction.

7. Inventories

This account consist of:

	Note	2015	2014
Merchandise inventory		**P13,223,019,684**	P11,347,948,354
Wines and spirits		**3,262,108,809**	2,244,869,573
LPG, autogas and LPG accessories		**255,564,840**	328,867,418
	21	**P16,740,693,333**	P13,921,685,345

Merchandise inventory consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, office supples etc.) held for sale in the ordinary course of business on wholesale and retail basis.

Inventory cost as at December 31, 2015 and 2014 is lower than NRV.

Inventory charged to the cost of sales amounted to P95,700.13 million, P80,841.35 million and P39,121.07 million in 2015, 2014 and 2013, respectively (see Note 21).

8. Investments in Trading Securities

The investments in trading securities represent the Group's investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

The movements and balances of these investments in trading securities are as follows:

Cost	Note	2015	2014
Balance at beginning of year		**P14,518,906**	P14,518,906
Addition		**837,092**	-
Balance at end of year		**15,355,998**	14,518,906
Valuation Adjustments			
Balance at beginning of year		**22,929,563**	14,348,470
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*25*	**(3,852,970)**	8,581,093
Balance at end of year		**19,076,593**	22,929,563
	32, 33	**P34,432,591**	P37,448,469

9. Available-for-sale Financial Assets

Details of AFS financial assets as at December 31 are as follows:

	Note	2015	2014
Investment in debt securities		**P 1,918,335**	P5,657,105
Investment in shares of stock		**6,668,852**	8,619,919
	32,33	**P8,587,187**	P14,277,024

Investments in debt securities represent investments in bonds and preference shares of a listed company and are readily marketable at the option of the Group.

Investments in shares of stocks represent investments in marketable securities that are traded in the PSE. The fair values of these listed shares are based on their closing market prices as at reporting dates.

Reserve for changes in value of AFS financial assets amounted to P4.98 million and P6.93 million as at December 31, 2015 and 2014, respectively.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2015	2014
Input value added tax (VAT)	**P954,788,287**	P457,008,801
Prepaid expenses	**533,143,210**	342,350,732
Advances to suppliers	**308,934,145**	211,920,443
Creditable withholding tax	**95,496,061**	90,062,840
Deferred input VAT	**-**	30,643,394
Others	**11,207,961**	32,928,139
	P1,808,073,603	P1,164,914,349

Input VAT represents accumulated input taxes from purchases of goods and services for business operation and purchases of materials and services for the building and leasehold construction which can be applied against future output VAT.

Prepaid expenses comprise of prepaid rent, prepaid taxes and licenses which pertain to payments made to government for registration fees and other taxes and prepaid insurance which refers to payments made in advance in return for insurance services covering Group's merchandise inventories, property and equipment and others.

Advances to suppliers pertain to advanced payments made to suppliers prior to the delivery or shipment of goods. These include advances to foreign suppliers which were denominated in foreign currency.

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than P1.0 million and unbilled services for the building and leasehold construction which can be applied against future output VAT.

11. Investments

This account consists of:

	Note	**2015**	2014
Investments in joint ventures	*b*	**P485,463,900**	P450,455,093
AFS financial assets	*a, 32, 33*	**7,879,160**	7,879,160
Investment in associates	*c*	**495,846,580**	453,730,929
		P989,189,640	P912,065,182

a. AFS Financial Assets

Retail

- AFS financial assets pertain to Tower Club shares amounting to P617,500 and Meralco preferred shares amounting to P7,261,660 which is acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Retail segment.

  The AFS Financial assets pertaining Tower Club is carried at cost since the fair value cannot be determined reliably in the absence of an observable market data on these related assets.

b. Investments in Joint Ventures

Retail

- On June 12, 2014, the Group thru PPCI entered into a joint venture agreement with Lawson Asia Pacific Holdings Pte. Ltd. and Lawson, Inc. (Lawson), both engaged in the operation of convenience stores in Japan and other Asian countries, to establish PG Lawson Company, Inc. (PLCI), a joint venture company that will operate convenience stores in the Philippines.

  The Group subscribed a total of 350,000,000 common shares at P100.00 par value for a total investment of P350 million representing a 70% interest while Lawson subscribed to a total of 1,500,000 common shares at P100.00 par value for a total investment of P150 million or 30% interest in the joint venture.

  PLCI was incorporated in the Philippines on June 2, 2014. 1t has no operations in 2014.

- On July 8, 2013, the Group through PPCI entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company, AyaGold Retailers, Inc. (AyaGold), for the investment in and operation of mid-market supermarkets and to pursue other investment opportunities in the Philippine retail sector as both parties may agree. AyaGold was incorporated in the Philippines on July 8, 2013 and is expected to start operations in 2015.

  Both parties subscribed to 6,000,000 common shares and 54,000,000 redeemable preferred shares each with a par value of P1.00 for a total investment of P60 million representing 50% interest each to the joint venture.

  The redeemable preferred shares shall have the following features:

  (a) Voting rights;

  (b) Participating in dividends declaration for common shares and may be entitled to such dividends as may be determined and approved by the Board of Directors;

(c) Entitled to receive out of the assets of the joint venture available for distribution to the parties, before any distribution of assets is made to holders of common shares, distributions in the amount of the issue value per outstanding redeemable preferred share, plus declared and unpaid dividends to the date of distribution; and

(d) Redeemable at the option of the joint venture.

Under the equity method, the Group's investment in AyaGold is reduced by P17.3 million due to the share in the net losses of AyaGold which was recognized under "Others" account in the consolidated statements of comprehensive income (see Note 25).

The summarized financial information of PLCI follows:

	2015	2014
Current assets	**P400,307,281**	P43,266,000
Noncurrent assets	**145,084,817**	44,991,763
Current liabilities	**86,708,140**	2,805,466
Noncurrent liabilities	**4,002,655**	-
Total equity	**495,149,615**	85,452,297
Income	**55,408,813**	543,465
Pre-operating expenses	**117,014,485**	32,329,362
Net loss	**40,468,311**	31,884,756

* *Incorporated on June 12, 2014.*

The carrying amount of its investment and its share in the losses of PLCI follow:

	2015	2014
Carrying amount	**P350,000,000**	P350,000,000
Share in net loss	**(31,723,087)**	-
	P318,276,913	P350,000,000

The summarized financial information of Ayagold follows:

	2015	2014
Total assets	**P97,981,826**	P88,257,764
Total liabilities	**198,862,884**	2,805,466
Total equity	**227,520,898**	85,452,298
Income	**127,102,117**	506,607
Pre-operating expenses	**-**	35,054,309
Net loss	**(32,209,410)**	(34,547,702)

The carrying amount of its investment and its share in the losses of AyaGold follow:

	2015	2014
Carrying amount	**P42,726,149**	P60,000,000
Additional investment	**87,500,000**	-
Share in net loss	**(16,104,705)**	(17,273,851)
	P114,121,444	P42,726,149

Specialty Retail

- On December 15, 2000, LPC entered into a joint venture agreement with Total Petroleum Philippines Corporation or "TPPC" *[presently known as Total (Philippines) Corporation]* to establish a joint venture corporation to be known as Mariveles Joint Venture Corporation or "MJVC". The primary purpose of MJVC is to manage, operate and maintain jetties and equipment installed for its benefit and/or for the benefit of owners/operators of storage facilities for oil products and/or liquefied petroleum gas and loading facilities and all related equipment; own, manage, operate, upgrade and maintain ancillary facilities dedicated for the common use by the users of the storage facilities, liquefied petroleum gas storage tanks, loading facilities and all related equipment; and perform consultancy, supervision and management services concerning the development and/or redevelopment of jetties and the upgrading of equipment and dedicated ancillary facilities installed.

  LPC and TPPC subscribed 160,049 common shares each from the issued and outstanding capital stock of MJVC. Consequently, LPC and TPPC each own 50% of the outstanding capital stock of the MJVC.

  LPC assessed the nature of its joint arrangement in MJVC and determined it to be joint venture and used equity method of accounting.

The carrying amount of LPC's investment and its share in results of MJVC as at and for the year ended December 31, 2015 and 2014 are presented below:

	2015	2014
Balance at beginning of year	**P57,728,944**	P56,684,154
Share in net loss	**(2,563,177)**	(1,055,434)
Adjustments	-	2,100,224
Balance at end of year	**P55,165,767**	P57,728,944

The financial information of MJVC as at December 31, 2015 and 2014 are as follows:

	2015	2014
Assets	**P109,111,495**	P115,744,439
Liabilities	**3,032,276**	4,538,865
Net Assets	**106,079,219**	111,205,574
Revenues	**22,000,000**	22,000,000
Net loss	**(5,126,355)**	(2,110,868)

c. *Investment in Associate*

Retail
San Roque Supermarkets or SRS
On December 4, 2013, the Group through PPCI acquired equity interest in San Roque Supermarkets (SRS) for a total cost of P371,896,077. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

On October 31, 2014, the Group through PPCI subscribed and paid additional one hundred ninety thousand eight (190,008) common shares from the unissued capital stock of the SRS for total cost of P19,000,800.

The carrying amount of SRS's investment and its share in results of SRS in 2015 and 2014 are presented below:

	2015	2014
Carrying Amount		
Balance at beginning of the year	**P390,896,877**	P371,896,077
Additions	**-**	19,000,800
Share in net income	**36,916,212**	-
	P427,813,089	P390,896,877

Specialty Retail

Peninsula Land Bay Realty Corporation or PLBRC

On June 24, 1998, LPC subscribed 15,475 shares in the common stock issued and outstanding of PLBRC. The subscribed shares represent twenty percent (20%) equity interest in PLBRC. PLBRC is primarily engage in the business of acquiring, developing and leasing real estate properties to its related parties. Thirty percent (30%) of its outstanding capital stock is owned by La Defense Filipinas Holdings Corporation, another thirty percent (30%) is owned by CPHI, while the remaining twenty percent (20%) is owned by Total (Philippines) Corporation.

LPC accounted its investment in PLBRC under equity method.

The carrying amount of LPC's investment and its share in results of PLBRC in 2015 and 2014 are presented below:

	2015	2014
Balance at beginning of year	**P25,133,620**	P23,531,355
Share in net income	**1,735,894**	1,602,265
Balance at end of year	**P26,869,514**	P25,133,620

Holding

Investment in an associated company represents the CPHI's 30% equity in PLBRC which consists of:

	2015	2014
Acquisition Cost	**P22,958,280**	P22,958,280
Accumulated share in results		
January 1	**14,742,152**	12,338,753
Share in net income	**2,603,840**	2,403,399
December 31	**17,345,992**	14,742,152
	P40,304,272	P37,700,432

The financial information of PLBRC as at December 31, 2015 and 2014 are as follows:

	2015	2014
Assets	**P140,847,990**	P146,025,205
Liabilities	**6,500,422**	20,357,102
Net Assets	**134,347,568**	125,668,103
Revenues	**60,000,000**	60,000,000
Net income	**8,679,465**	8,011,329

12. Property and Equipment

The movements and balances of this account as at and for the years ended December 31 consist of:

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction-in-Progress	Machineries and Transportation Equipment	Wells, Platforms and Other Facilities	Storage Tanks	Total
Cost										
Balance as at January 1, 2014	P3,901,639,272	P1,267,608,626	P2,922,831,145	P4,329,265,817	P386,605,819	P370,079,837	P277,746,249	P204,955,281	P520,352,787	**P14,181,084,833**
Additions/effect of business combination	1,201,870,657	219,145,893	175,774,351	95,646,249	-	2,235,446	101,508,962		902,580,875	**2,698,762,433**
Reclassifications	220,492,401	(2,162,566)	101,273,599	518,987,887	-	(831,983,518)	-	-	(6,607,803)	**-**
Additions	84,632,107	234,398,147	546,139,083	429,762,727	-	646,608,983	14,564,315	-	38,130,043	**1,994,235,405**
Disposals/retirements	(2,321,429)	(5,401,285)	(21,770,172)	(47,278,384)	-	-	(7,367,632)	-	(7,066,822)	**(91,205,724)**
Balance as at December 31, 2014	5,406,313,008	1,713,588,815	3,724,248,006	5,326,384,296	386,605,819	186,940,748	386,451,894	204,955,281	1,447,389,080	**18,782,876,947**
Transfer in	-	101,245,684	264,808,649	107,455,093	-	-	-	-		**473,509,426**
Additions	330,039,947	152,426,417	456,437,262	709,885,803	17,134,337	635,324,272	73,184,823	-	41,017,544	**2,415,450,405**
Reclassifications	97,748,986	23,683,528	144,025,168	142,622,232	-	(408,079,914)	-	-	-	**-**
Disposals	(196,429)	(3,714,059)	(68,260,863)	(2,935,742)	-	-	(1,259,450)	-	(8,690,266)	**(85,056,808)**
Adjustments	-	-	240,000	(166,142,991)	-	(142,136,607)	-	-	-	**(308,039,598)**
Balance as at December 31, 2015	**5,833,905,512**	**1,987,230,385**	**4,521,498,222**	**6,117,268,691**	**403,740,156**	**272,048,499**	**458,377,267**	**204,955,281**	**1,479,716,358**	**21,278,740,371**
Accumulated Depreciation										
Balance as at January 1, 2014	78,082,426	84,944,269	332,876,839	124,043,341	-	-	23,094,953	44,917,503	12,410,458	**700,369,789**
Additions/effect of business combination	806,659,930	177,961,432	127,153,080	36,237,103	-	-	70,952,904	-	330,306,942	**1,549,271,391**
Adjustments	207,103	(628,085)	(131,360)	552,342	-	-	-	-	-	**-**
Depreciation and amortization	178,478,923	155,922,670	674,961,548	259,470,832	-	-	10,893,832	-	42,343,096	**1,322,070,901**
Disposals/retirements	(45,138)	(3,027,315)	(18,167,738)	(47,278,326)	-	-	(4,676,214)	-	(828,632)	**(74,023,363)**
Balance as at December 31, 2014	1,063,383,244	415,172,971	1,116,692,369	373,025,292	-	-	100,265,475	44,917,503	384,231,864	**3,497,688,718**
Transfer-in	815,531	37,401,315	121,453,275	36,371,352	-	-	-	-	-	**196,041,473**
Depreciation and amortization	224,063,182	171,537,411	684,532,965	288,550,100	-	-	61,012,940	-	55,678,513	**1,485,375,111**
Adjustments				(31,077,718)	-	-	-	-	-	**(31,077,718)**
Reclassification	73,491	(24,615)	(1,231)	(47,645)	-	-	-	-	-	**-**
Disposals/retirements	(147,321)	(1,396,138)	(2,627,625)	(251,911)	-	-	(385,633)	-	(1,346,362)	**(6,154,990)**
Balance as at December 31, 2015	**1,288,188,127**	**622,690,944**	**1,920,049,753**	**666,569,470**	**-**	**-**	**160,892,782**	**44,917,503**	**438,564,015**	**5,141,872,594**
Carrying Amount										
December 31, 2014	P4,342,929,764	P1,298,415,844	P2,607,555,637	P4,953,359,004	P386,605,819	P186,940,748	P286,186,419	P160,037,778	P1,063,157,216	**P15,285,188,229**
December 31, 2015	**P4,545,717,385**	**P1,364,539,441**	**P2,601,448,470**	**P5,450,699,221**	**P403,740,156**	**P272,048,499**	**P297,484,485**	**P160,037,778**	**P1,041,152,343**	**P16,136,867,778**

Transfer-in pertains to property and equipment of acquired and merged entities upon its acquisition as mentioned in Note 1. The adjustments resulted from the evaluation made by the Parent Company to its subsidiaries' property and equipment. The Group's assets were aligned with Parent Company's asset recognition policy. Assets were either recorded into its proper classification or expensed if it did not meet the criteria of capitalization.

Depreciation and amortization charged to profit and loss:

	Note	**2015**	2014
Cost of sales and services	*21*	**P331,914,150**	P232,954,811
Operating expenses	*24*	**1,330,640,893**	1,226,596,185
		P1,662,555,043	P1,459,550,996

No impairment loss was recognized in both years.

13. Investment Properties

This account consists of:

	Building	**Land**	**Construction-in-Progress**	**Total**
Cost				
Balance as at January 1, 2014	P4,744,959,496	P6,724,383,523	P260,808,030	**P11,730,151,049**
Effect of business combination	626,631,609	218,089,124	1,178,570	**845,899,303**
Reclassifications	616,071	-	(616,071)	**-**
Additions	112,077,392	25,655,093	93,158,745	**230,891,230**
Fair value adjustment	-	523,436,536	-	**523,436,536**
Balance as at December 31, 2014	5,484,284,568	7,491,564,276	354,529,274	**13,330,378,118**
Additions	595,673,072	1,617,101,845	26,693,357	**2,239,468,274**
Adjustment	(19,187,181)	132,141	(310,712)	**(19,365,752)**
Balance as at December 31, 2015	**6,060,770,459**	**9,108,798,263**	**380,911,919**	**15,550,480,640**
Accumulated Depreciation				
Balance as at January 1, 2014	58,166,358	(23,432)	-	**58,142,926**
Effect of business combination	374,590,274	-	-	**374,590,274**
Depreciation and amortization	123,724,595	-	-	**123,724,595**
Balance as at December 31, 2014	556,481,227	(23,432)	-	**556,457,795**
Depreciation and amortization	150,889,861	-	-	**150,889,861**
Balance as at December 31, 2015	**707,371,088**	**(23,432)**	**-**	**707,347,656**
Carrying Amount				
Balance as at December 31, 2014	P4,927,803,341	P7,491,587,708	P354,529,274	**P12,773,920,323**
Balance as at December 31, 2015	**P5,353,399,371**	**P9,108,821,696**	**P380,911,917**	**P14,843,132,984**

As at December 31, 2015 and 2014, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. Management believes that the appraisal in 2012 is still applicable for disclosure purposes as at December 31, 2015 as there are no significant changes in the condition of its land and building. The fair values of the land and buildings are determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively, which is categorized as Level 2 under the fair value hierarchy.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. In both years, the aggregate fair values of NPSCC's properties amounted to P995.60 million. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches (see Note 14).

The rental income earned by the Group from these properties amounted to P1,848.04 million, P1,395.94 million and P1,124.55 million in 2015, 20114 and 2013, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties amounted to P1,088.35 million, P933.65 million and P320.80 million in 2015, 2014 and 2013, respectively (see Note 21).

14. Intangibles and Goodwill

This account consists of:

	Note	**2015**	2014
Goodwill	*a*	**P17,711,048,425**	P16,218,304,369
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationship	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**181,723,275**	165,269,918
Leasehold rights	*c*	**66,184,796**	69,952,547
		P22,558,070,024	P21,052,640,362

a. <u>*Goodwill*</u>
The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisitions made by the Group.

2012		
Puregold Junior Supermarket, Inc. (PJSI)	*a.1*	P11,370,121
Kareila	*a.2*	12,079,473,835
Gant Group of Companies Incorporated (Gant)	*a.3*	742,340,804
		P12,833,184,760

2013		
Merger of PJSI and Gant to PPCI	*a.4*	P4,142
Company E	*a.5*	358,152,015
		P13,191,340,917

2014		
NPSCC	*a.6*	P457,304,121
OWI	*a.7*	900,688,844
LPC	*a.8*	1,624,427,821
CHC	*a.9*	9,450
CPHI	*a.10*	51,432,111
		P3,033,862,347

2015		
DCI and FLSTCI	*a.11*	P690,904,317
Budgetlane Supermarkets	*a.12*	801,839,739
		1,492,744,056
		P17,711,048,425

Details are as follows:

a.1. Acquisition of PJSI

Acquisition cost*	P50,003,542
Fair value of net assets (June 30, 2010)	38,629,279
Goodwill	**P11,374,263**

**The amount disclosed was after the additional shares issued to reflect the effects of merger of PJSI and PPCI.*

a.2. Acquisition of Kareila

The following summarizes the consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	**P16,477,734,375**
Assets	
Current assets	1,651,017,012
Property and equipment - net	928,294,217
Other noncurrent assets	50,500,198
Liabilities	
Current liabilities	(1,431,714,792)
Noncurrent liabilities	(4,389,307)
Deferred tax liability	(1,379,734,058)
Total fair value of net liabilities	**(186,026,730)**
S&R trade name	3,709,660,547
Customer relationship	889,452,981
Fair value of identifiable intangible assets	**4,599,113,528**
Total fair value of net assets*	**4,413,086,798**
Adjustment for PAS 19 adoption	**(14,826,258)**
Total adjusted fair value net asset	**4,398,260,540**
Goodwill	**P12,079,473,835**

*The amount disclosed is before the restatement of Kareila's balance due to prior period adjustment as a result of the adoption of PAS 19, *Employee Benefits*.

The purchase price of P4.6 billion represents the fair value of S&R trade name and customer relationship determined after considering various factors and performing valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist.

The Group incurred acquisition-related cost of P3.8 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.3. Acquisition of Gant

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on the Gant group at the acquisition date:

Consideration transferred	P743,840,962
Fair value of net assets	1,500,158
Goodwill	**P742,340,804**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the fair value of the acquired assets and liabilities assumed is attributable to goodwill.

The Group incurred acquisition-related cost of P0.2 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2012.

a.4. Merger of PJSI and Gant

On February 26, 2013, the SEC approved the application for merger of PPCI, PJSI and Gant. As a consideration for the said merger, PPCI paid the owner of PJSI amounting to P4,142.

a.5. Acquisition of Company E

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Company E at the acquisition date:

Considerations transferred	P404,065,000
Fair value of net assets	45,912,985
Goodwill	**P358,152,015**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill.

The Group incurred acquisition-related cost of P0.2 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2013.

a.6. Acquisition of NPSCC

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on NPSCC at the acquisition date:

	Note	
Assets		
Cash and cash equivalents		**P136,768,065**
Receivables		**27,864,675**
Prepayments and other current assets		**7,828,808**
Investment properties	*13*	**995,613,379**
Property and equipment - net		**35,357,476**
Deferred tax assets		**969,776**
Other noncurrent asset		**478,226**
Liabilities		
Account payable and accrued expenses		**(39,424,434)**
Current portion of long-term debt		**(24,844,898)**
Income tax payable		**(11,008,339)**
Long-term debt		**(62,367,034)**
Deposits from tenants		**(68,364,137)**
Deferred lease income		**(4,994,434)**
Total identifiable net assets at fair value		**P993,877,129**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P1,451,181,250
Fair value of net assets	(993,877,129)
Goodwill	**P457,304,121**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes on the provisionary amounts used by the Group in 2014.

a.7. Acquisition of OWI

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on OWI at the acquisition date:

	Provisionary Amounts	**Final Amounts (As Restated)**
Current assets	P219,224,557	P219,224,557
Noncurrent assets	108,198,876	108,198,876
Current liabilities	(126,314,487)	(133,213,382)
Total identifiable net assets at fair value	**P201,108,946**	**P194,210,051**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P1,094,898,895
Fair value of net assets	(201,108,946)
Goodwill	**P893,789,949**

Movement of goodwill are as follows:

Goodwill at acquisition date	P893,789,949
Fair value adjustments	6,898,895
Goodwill at end of the period	**P900,688,844**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill.

Part of OWI's acquisition cost is a retention payable amounting to P100 million. According to the Share Purchase Agreement entered into by the Parent Company and OWI's previous owners, the P100 million will be paid in three (3) installments, less any indemnity claim and/or third party claim, if there will be any, as follows:

		2014
1st installment	6th month after the Closing date*	P50,000,000
2nd installment	1st year after the Closing date*	25,000,000
3rd installment	2nd year after the Closing date*	25,000,000
		P100,000,000

**Closing date is the completion date of the Share Purchase Agreement (July, 21, 2014).*

In 2015, goodwill arising from the acquisition of OWI increased by P6.90 million upon finalization of OWI's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets.

Acquisition of LPC

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on LPC at the acquisition date:

	Provisionary Amounts	Final Amounts (As Restated)
Current assets	P2,412,058,244	P2,412,058,244
Noncurrent assets	1,288,719,210	1,288,719,210
Current liabilities	(1,446,223,573)	(1,596,800,431)
Noncurrent liabilities	(27,220,776)	(27,220,776)
Total identifiable net assets at fair value	**P2,227,333,105**	**P2,076,756,247**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P3,478,450,758
Fair value of net assets (90%)	(2,004,599,795)
Goodwill	**P1,473,850,963**

Movement of goodwill are as follows:

Goodwill at acquisition date	P1,473,850,963
Fair value adjustments	150,576,858
Goodwill at end of the period	**P1,624,427,821**

In 2015, goodwill arising from the acquisition of LPC increased by P150 million upon finalization of LPC's purchase price allocation. As a result, the carrying value of the identifiable net assets at the date of acquisition changes, and the change resulted to increase in liabilities and consequently decrease net assets.

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill.

a.8. Acquisition of Canaria

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Canaria at the acquisition date:

Current Assets	P50,000
Noncurrent Assets	3,505,643,800
Noncurrent Liabilities	(3,500,704,300)
Total identifiable net assets at fair value	**P4,989,500**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Acquisition cost	P4,500,000
Fair value of net assets (90%)	(4,490,550)
Goodwill	**P9,450**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes in the provisionary amounts used by the Group in 2014.

a.9. Acquisition of Calor

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on Calor at the acquisition date:

Current Assets	P34,021,543
Current Liabilities	(30,103,778)
Noncurrent Liabilities	(5,508,999)
Total identifiable net liabilities at fair value	**(P1,591,234)**

Goodwill was recognized based on the fair value of net assets acquired as follows:

Cash consideration transferred	P50,000,000
Fair value of net assets (90%)	1,432,111
Goodwill	**P51,432,111**

There was no identifiable intangible asset as at acquisition and valuation dates, the excess of the purchase price over the net assets of acquired and the liabilities assumed is attributable to goodwill. There were no changes in the provisionary amounts used by the Group in 2014.

a.10. Acquisition of Daily Commodities Inc. (DCI) and First Lane Super Traders Co., Inc. (FLSTCI)

On February 3, 2015, the Group through Entenso acquired 100% interest in DCI and FLSTCI for a total cost of P768.49 million. DCI and FLST is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired and liabilities assumed on DCI and FLSTCI at the acquisition date:

Acquisition cost	P768,485,000
Fair value of net assets	77,580,683
Goodwill	**P690,904,317**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P690.90 million.

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of DCI and FLST as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

a.11. Acquisition of Bargain City Inc. (BCI), Multi-Merchantrade Inc. (MMI) and Superplus Corporation (SC) (collectively as "Budgetlane Supermarkets")

On August 6, 2015, the Group through Goldtempo Company, Inc., a wholly owned subsidiary of Entenso, acquired substantially all of the assets of BCI, MMI and SC. Goldtempo took over the operations of 8 supermarkets located mainly in Metro Manila and Luzon. The acquisition is considered as a business acquisition in accordance with PFRS 3.

The following summarizes the consideration transferred, and the recognized amounts of assets acquired assumed on BCI, MMI and SC at the acquisition date:

Acquisition cost	P1,496,500,821
Fair value of net assets	694,661,082
Goodwill	**P801,839,739**

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P801.84 million.

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of BCI, MMI and SC as at the acquisition date. Upon finalization of the purchase price allocation exercise, the Group will restate the amounts of the net assets acquired and goodwill, in accordance with PFRS 3.

In 2014, NPSCC, OWI, CHC, LPC and CPHI contributed revenue of P9 billion and profit of P261 million to the Group's result. If the acquisition had occurred on January 1, 2014, management estimates that consolidated revenue would have been P114.7 billion and consolidated profit for the year would have been P7.2 billion. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally at the date of acquisition would have been the same if the acquisition had occurred on January 1, 2014.

b. *Trademark and Customer Relationships*
The fair value of the trademark and customer relationship was determined after giving due consideration to various factors and valuation methodologies including the independent valuation study and analysis prepared by an independent valuation specialist. 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 Group'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 Group's filings and projections, actual industry precedents and industry common practice.

Impairment of goodwill, trademark and customer relationship
The recoverable amount of goodwill, trademark and customer relationship has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at December 31, 2015 and 2014.

c. *Leasehold Rights and Computer Software and Licenses*
On January 25, 2013, the Group executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by these lessors. Under the agreement, the lessors agreed to sell to the Group all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by each lessor for a period of twenty (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.

The movements and balances of leasehold rights and computer software and licenses as at and for the years ended December 31 consists of:

	Computer Software and Licenses	Leasehold Rights	Total
Cost			
Balance, January 1, 2014	P204,283,187	P75,355,005	**P279,638,192**
Additions	34,334,229	-	**34,334,229**
Effect of business combination	29,635,522	-	**29,635,522**
Balance, December 31, 2014	268,252,938	75,355,005	**343,607,943**
Transfer in	9,387,434	-	**9,387,434**
Additions	81,455,903	-	**81,455,903**
Adjustments	(51,867,660)	-	**(51,867,660)**
Balance, December 31, 2015	**307,228,615**	**75,355,005**	**382,583,620**
Accumulated Amortization			
Balance, January 1, 2014	67,570,110	1,634,708	**69,204,818**
Amortization	9,987,750	3,767,750	**13,755,500**
Effect of business combination	25,425,160	-	**25,425,160**
Balance, December 31, 2014	102,983,020	5,402,458	**108,385,478**
Amortization	22,522,320	3,767,751	**26,290,071**
Balance, December 31, 2015	**P125,505,340**	**P9,170,209**	**P134,675,549**
Carrying Amount			
December 31, 2014	P165,269,918	P69,952,547	**P235,222,465**
December 31, 2015	**P181,723,275**	**P66,184,796**	**P247,908,071**

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2015	2014
I. Oil exploration costs:				
SC 14	*A*			
Block C2 (West Linapacan)		1.53%	**P53,745,757**	P53,647,271
Block D		5.84%	**8,031,189**	8,011,133
Block B1 (North Matinloc)		13.55%	**1,969**	746
			61,778,915	61,659,150
SC 6A	*b*			
Octon Block		0.50%	**16,598,157**	16,560,191
North Block		1.57%	**600,419**	600,419
			17,198,576	17,160,610
SC 51	*c*	9.32%	**32,817,032**	32,817,032
SC 6B (Bonita)	*d*	2.11%	**7,955,200**	6,489,191
Other oil projects			**527,341**	527,340
Balance at end of year			**75,696,725**	39,833,563
			154,674,216	118,653,323

Forward

	Note	Participating Interest	2015	2014
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,208,048
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,415
Gold projects	*h*	100.00%	**13,036,487**	12,932,166
Cement project	*i*	100.00%	**9,603,218**	9,603,218
Other mineral projects	*j, k*		**382,338**	382,338
			56,047,506	55,943,185
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:			**(56,092,352)**	(56,092,352)
			(44,846)	(149,167)
III. Other deferred charges			**664,263**	664,263
			P120,896,482	P119,168,419

On July 2, 2015, the Department of Energy (DOE) approved the transfer of all participating interest of the Parent Company in its various petroleum service contracts in the Philippines to its wholly-owned subsidiary, Alcorn Petroleum and Minerals Corporation (APMC). APMC hereby assumes the responsibility and work commitments on the service contracts.

All deferred oil and mineral exploration costs are classified as intangible assets on the basis that these costs are recognized in respect of licenses and surveys. These costs were incurred in developing an intangible asset. Oil and mineral explorations are governed by permits issued by the Philippine Government either through DOE under SC or by DENR under Exploration Permit (EP) or MPSA.

a.) Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, the Parent Company executed Heads of Agreement (HOA) and Deed of Assignment with Sojitz Etame, Ltd. (formerly Nissho Iwai Corporation of Japan) for its 2.625% interest in Etame oil field in Gabon, West Africa. The agreements provide that payment of capped amount of US$1,000,000 conditioned on production out of revenue derived from the assigned Participating Interest (2.428%) of 15% of Profit Oil [as defined in the Joint Operating Agreement (JOA)], payable quarterly and in accordance with the following:

(i) should the amount of proved recoverable reserves as submitted in the Development Plan by the Operator be less than 65 million barrels in the Etame Exploration Blocks, Buyer shall pay US$800,000; and

(ii) should the oil reserves be greater than 65 million barrels, Buyer shall pay an additional amount of US$200,000.

As at December 31, 2011, the Parent Company already received US$800,000 (peso equivalent: P35.1 million) as proceeds on production of 65 million barrels.

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2015 and 2014, there were no further developments on the said project.

b.) SC 6A (Octon and North Block) - Offshore Northwest Palawan Philippines

The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, Cosco has participating interest of 1.57% in North Block and 0.50% in Octon Block. This oil field was not put into production due to low oil price in 1990 and also due to limited data.

The impending expiry of SC 6A-Octon Block was finally resolved in a DOE letter on June 18, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Octon Block subject to some terms and conditions.

On December 8, 2011, the DOE approved the transfer of Filipino Consortium's 70% undivided interest to PLL. DOE has also approved the appointment of PLL as the Operator in accordance with the Deed of Assignment and Assumption dated July 1, 2011.

The work commitments approved by the DOE for 2012 include the seismic acquisition, processing and interpretation of 500 square kilometers of 3D data area in Octon. Cosco for its part will be carried free up to the drilling of the two exploration wells on the block.

In 2013, the 3D seismic acquisition has been completed and the data is now in Vietnam for data processing and interpretation. Oil reserves have already been determined and would be further refined and fine tuned by the complete seismic acquisition.

As at December 31, 2015 and 2014, there were no further developments on the said project.

c.) SC 51 - East Visayan Basin

The contract area is defined by two (2) separate blocks, namely (1) an on shore-off shore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Parent Company together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsian Energy Limited (NorAsian) in consideration for the latter to conduct and finance the seismic survey and drill one well.

In a DOE letter dated June 20, 2009, DOE informed the Operator NorAsian that Executive Order No. 10 dated May 29, 2009 has been issued by the Cebu Provincial Governor which effectively lifts the Cease and Desist Order along the municipal waters of Argao, Sibonga and Cebu.

In line with this, DOE instructs NorAsian to resume petroleum exploration activities in the service contract area.

In July 2011, NorAsian has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas (SWAN). The agreement has been approved by the SC51 Joint Venture Partners and the DOE. In the Consortium meeting on October 27, 2011, NorAsian informed the partners that DOE has accepted DUHAT-1 as compliance of its 3rd Sub-Phase work program. DOE has also approved the 100 kilometers of 2D seismic data acquisition in on-shore Leyte as its commitment for the 4th Sub-Phase work program rather than drill another well onshore.

NorAsian has elected to discontinue its participation in the South block and with the drilling of Argao prospect. NorAsian will give to SWAN all of its 80% participating interest and its operatorship in the Southern block. NorAsian will still retain a 40% working interest in the Northern block and the remaining 40% to SWAN.

Relative thereto, SWAN has requested the Filipino partners to approve the revised Farm in agreement. The Farm-in agreement revisions was approved subsequently but remained unexecuted as at December 31, 2011.

In the first half of 2012, after trying to raise funds for its committed drilling program, SWAN was unable to show proof of its financial capability and its commitment to drill the Argao structure in due time as per provisions of the amended Farm-In Agreement. The Filipino partners in the South Block declared SWAN in default of its Farm-In Agreement commitments. Otto Energy (Otto) also declared SWAN in default of its JOA commitments in the North Block. SWAN contested the default but later settled amicably in September 2012, after it was able to secure a reasonable walk-away package from Otto.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation (Frontier) manifested its interest to become Operator of SC-51 South Block and has agreed to the key terms of the proposed Farm-In Agreement. Frontier Oil was still within its requested due diligence period when the year ended. A third party, Arex Energy, was commissioned by Frontier to conduct due diligence study of the block. Frontier requested for an extension until January 31, 2013 before it decides on its option.

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now much higher.
Otto informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

In 2013, Otto Energy, despite its two failed wells, has declared a mean probable reserve of more than 20MBO.

As at December 31, 2015 and 2014, there were no further developments on the said project.

d.) SC 6B (Bonita) - Offshore Nortwest Palawan, Philippines

The SC 6B Bonita oil field is located in Offshore Northwest Palawan adjacent to Matinloc. Currently, Venture Oil is evaluating the area for development. On October 28, 2011, Peak Oil and Gas Philippines Ltd, Blade Petroleum Philippines Ltd, and Venture Oil Philippines Inc signed a Farm-In agreement with SC-6B joint venture partners to acquire 70% of the consortium's aggregate participating interests. After executing the Deed of Assignment and Assumption of Interest, Cosco as at December 31, 2011 has a residual participating interest of 2.11% from the original 7.03% after the farm-out.

The impending expiry of SC 6B-Bonita Block was also resolved in a DOE letter of June 17, 2009. The letter informed the Operator, Philodrill, of the 15-year contract extension of the SC Bonita Block subject to terms and conditions.

In 2012, DOE approved the amendments to the Farm-In agreement between the Filipino farmers and the Group of Operators. The Operators proposed to conduct a simultaneous study of Bonita with Cadlao. The $200,000 approved budget will be shared halfway. However, the Group of Operators failed to submit the financial documents required by the DOE which would prove that it has the financial capability to implement the work programs.

During the last quarter of 2012, Philodrill, as previous operator of Bonita, served notice to the current Group of Operators that the farmers are cancelling the farm-in agreement.

As at December 31, 2015 and 2014, there were no further developments on the said project.

e.) Exploration Permit Application No. 175-IVB - Nickel Project Aborlan, Palawan
An Order of Denial has been issued by MGB-IVB during the last quarter of 2010 due to inactivity and lack of NCIP clearance among others. The Parent Company submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Parent Company to show commitment in completing the application.

The Parent Company submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Parent Company's request of NCIP clearance.

As at December 31, 2012, the appeal for reconsideration remained at the MGB Central Office in Quezon City awaiting for the deliberation and resolution.

In December 3013, the application permit remained languishing at the MGB Central under appeal for reinstatement. However the recent turn of events in Palawan brought about by the assigning of EO-79, which categorized Palawan as a No-Go Zone for mining, has forced the Parent Company to accept the previous cancellation and withdraw its appeal for reinstatement.

As at December 31, 2015 and 2014, there were no further developments on the said project.

f.) Exploration Permit Application No. 196-IVB - Nickel Project Rizal, Palawan
The declaration of Mount Mantalingaan as Palawan Protected Landscape gravely affected the surface extent of the applied area. From the original area of 2,477 hectares the net free area has been reduced to a mere 396 hectares or 15% of the original applied area.

On October 12, 2011, the Parent Company received the Notice of Denial for further processing of its exploration permit application. With the current anti-mining sentiments in Palawan, the Parent Company has decided to forgo any appeal for reinstatement.

In December 2013, this has been cancelled several years back due to the inclusion of its most potential areas in the recently declared Mt. Mantalingaan National Park in Southern Palawan. This forced the Parent Company to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

As at December 31, 2015 and 2014, there were no further developments on the said project.

g.) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur

The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

PHSAMED, with the assistance of Cosco, is pursuing the final approval of the MPSA. Additional documentary requirements were submitted to MGB-Caraga in Surigao City. All mining operations remained suspended as at December 31, 2012 until final approval of MPSA.

In 2012, the Parent Company received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine.

The Parent Company has assumed operatorship of the project once again and currently securing all the mine tunnels and assets left behind by the project operator. The Parent Company is also securing all technical data and reports that the project operator acquired during their seven years of operatorship.

The return of the unapproved tenements was completed in 2013 and Bernster has already acknowledged receipt of the MOA termination in their reply letter. The MPSA application is still held-up at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

As at December 31, 2015 and 2014, there were no further developments on the said project.

h.) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

In 2013, due to the continued non-consent vote from the indigenous people in the area, it was deemed justified to withdraw the appeal for reinstatement.

As at December 31, 2015 and 2014, there were no further developments on the said project.

i.) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte

The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

On March 4, 2003, the DENR granted the Parent Company's application for a two-year exploration period in its Cement Leyte Project which ended on March 14, 2005.

On September 9, 2011, the Parent Company received the approval for the second extension of the MPSA Exploration. The approved exploration and environmental work programs shall end with the Declaration Mining Project Feasibility in September 2013 or earlier.

The Parent Company, as part of new requirements, is required to conduct a new round of Information, Education and Communication (IEC) before implementing the exploration surveys. The Parent Company has also committed to participate in the National Greening Program initiated by the President.

For the first half of 2012, the Parent Company continued in preparation to conduct a new IEC campaign for the drilling operation it committed to conduct in the contract area within the two-year extension of the MPSA exploration period.

In 2013, the project was considered delinquent and may soon be cancelled by the regional mining office.

As at December 31, 2015 and 2014, there were no further developments on the said project.

j.) Exploration Permit Application No. 009-2010-V - Copper Gold Project, Oas, Albay
The Exploration Permit Application EXPA-000072-V has been signed and approved on May 5, 2010 at the Central office of the Mines and Geosciences Bureau in Quezon City and registered with the Mines Geosciences Bureau Regional Office No. 5 in Legaspi City on May 12, 2010 as EP-009-2010-V.

On May 17, 2011, the Parent Company signed a MOA with Bentley Fairview Resources Corporation after Bentley decided to exercise its option upon expiration of the Option and Due Diligence Agreement last May 1, 2011.

In August 2011, the Parent Company and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence in the middle of January 2012. Their schedules were set back by bad weather and shortage of technical personnel.

During the first quarter of 2012, a three-year MOA between the Parent Company and Barangay Maramba was signed and executed in compliance and fulfillment of the Parent Company's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Parent Company, will finance the reforestation of a 6-hectare area in Maramba and Barangay Maramba will be the implementing partner of the NGP MOA. A three-year financial plan has been crafted for that matter.

In 2012, the implementation of signed NGP-MOA between the Parent Company and Barangay Maramba was completed. A total of 2,500 mahogany seedlings were planted in the area located within the jurisdiction of Barangay Maramba, Oas, Albay. The tree-planting site has been inspected by representative of the MGB.

As at December 31, 2012, the Parent Company submitted its application for the renewal of the exploration permit and waits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP was renewed but the claim perfection remained incomplete due to non-payment of the mining occupation fees. Cosco has already made several postponements of inspection trips by MGB-5 to the project site.

Cosco has not implemented its mandatory community development program. It has stalled the implementation of the tree-planting program and has not undertaken the environmental baseline survey. Commitments are piling up after the pull out of Bentley and Cosco has suspended all compliance activities on the area.

In 2013, the EP is now delinquent in status and the continued delinquency is decreasing the value of the project.

As at December 31, 2015 and 2014, there were no further developments on the said project.

k.) Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo
On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The Parent Company is currently preparing the budget for work programs and IEC presentations for approval by the Cosco Board.

The Parent Company has completed its Project IEC campaign before all concerned and affected Local Government Units in Concepcion and Iloilo.

MGB-6 now requires Cosco to secure Affidavit of Consents from the private landowners. Cosco complied with the MGB guidelines.

As at December 31, 2012, the Parent Company completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Parent Company is patiently waiting for the renewal of the exploration permit so that it can implement the other peripheral requirements of the CDP, NGP and geohazard mapping.

In December 2013, the signing of the Option to Purchase agreement with Vale Exploration, Philippines (Vale) has been completed.

On January 13, 2014, Vale took over of the project Operation. The US$20,000 cash consideration was paid to Cosco on January 23, 2014.

If the surface exploration activities confirmed the expected results, Vale has the option to exercise immediately the purchase of the mineral rights from Cosco at the cost of US$1.25 million. Vale would still pay the US$ 30,000 regardless of the early exercise of the purchase option. Cosco's residual 1.35% share on the net smelter return will only kick in when production has been realized. Cosco will be carried free in all exploration activities even in the event of confirmatory drilling operations in the later stages.

16. Other Noncurrent Assets

This account consists of:

	Note	**2015**	2014
Security deposits	*22, 32, 33*	**P1,615,471,291**	P1,240,131,409
Accrued rent income	*22*	**1,030,272,916**	651,721,623
Input VAT		**213,521,889**	438,980,985
Prepaid rent	*22*	**157,038,886**	268,363,507
Others		**109,121,322**	10,215,248
		P3,125,426,304	P2,609,412,772

Accrued rent income pertains to the excess of rent income over billing to tenants in accordance with PAS 17, *Leases*.

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2015**	2014
Trade payables	*32, 33*	**P7,332,358,905**	P10,229,399,448
Non-trade payables	*32, 33*	**1,775,816,318**	296,346,605
Dividends		**932,741,912**	509,178,893
Withholding taxes payable and other statutory payables		**543,334,664**	357,660,492
Construction bonds	*32, 33*	**14,966,307**	5,928,037
Deferred rent income	*32, 33*	**1,631,358**	19,374,091
Accrued expense	*32, 33*		
Manpower agency services		**454,008,770**	649,401,819
Inventory		**396,500,821**	-
Utilities		**115,318,825**	353,771,768
Professional fees		**50,594,664**	53,500,738
Rent		**33,978,908**	117,586,347
Interest		**5,165,690**	-
Fixed asset acquisition		**4,886,038**	-
Tax assessments		**-**	157,475,753
Brand promotions		**-**	57,609,724
Others	*32, 33*	**513,886,689**	65,524,120
		P12,175,189,869	P12,872,757,835

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 (see Note 32).

Non-trade payables consist of claims arising from billed expenditures in relation to operations other than purchases of goods, fixed asset acquisitions and structures under construction.

18. Loans Payable

As at December 31, 2015 and 2014, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

The Group entered into the following loan facilities to be used as additional working capital:

Segment		*Note*	2015	2014
Liquor	Short-term note based on 2.375%	*i*	**P729,000,000**	P555,600,000
Real estate	Short-term note based on 2.375%		**400,000,000**	-
Retail	Short-term note based on 2.5%	*i*	**890,000,000**	75,000,000
Retail	Short-term note based on 2.75%	*i*	**2,247,500,000**	780,000,000
Specialty retail	Short-term note based on 2.375%	*i*	**-**	340,000,000
Retail	Short-term note based on 3.75%	*ii*	**-**	508,500,000
			P4,266,500,000	P2,259,100,000

i. The Group issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate	Principal
November 2, 2015	February 1, 2016	2.375	P587,500,000
November 5, 2015	February 3, 2016	2.375	500,000,000
August 7, 2015	February 4, 2016	2.500	490,000,000
December 27, 2015	February 26, 2016	2.500	400,000,000
December 14, 2015	March 14, 2016	2.375	250,000,000
November 16, 2015	February 15, 2016	2.375	240,000,000
December 9, 2015	January 7, 2016	2.375	200,000,000
November 10, 2015	February 9, 2016	2.375	150,000,000
December 17, 2015	January 18, 2016	2.375	150,000,000
December 15, 2015	January 14, 2016	2.375	100,000,000
October 5, 2015	January 4, 2016	2.375	70,000,000
December 28, 2015	March 28, 2016	2.375	67,000,000
December 21, 2015	March 21, 2016	2.375	90, 000,000
December 18, 2015	March 17, 2016	2.375	140,000,000
December 14, 2015	March 14, 2016	2.375	50,000,000
December 3, 2015	March 2, 2016	2.375	140,000,000
October 12, 2015	January 10, 2016	2.375	75,000,000
October 8, 2015	January 6, 2016	2.375	35,000,000
October 30, 2015	January 28, 2016	2.375	32,000,000
August 13, 2015	August 8, 2016	2.375	300,000,000
March 27, 2015	March 21, 2016	2.375	100,000,000
December 17, 2016	March 17, 2016	2.375	100,000,000
			P4,266,500,000

Principal amounts will be due on lump sum on their maturity dates. Extension and/or renewal of the notes are granted by the financial institution to the Group.

ii. On July 25, 2013, the Group entered into an unsecured short-term loan amounting to P508.5 million with a local bank. On July 18, 2014, these loans matured and renewed for another year. The principal amount is payable annually and its related interest is at 2.375% and 2.75% per annum in 2015 and 2014, respectively.

b. Long-term Loans Payable

b.1 As at December 31, the outstanding loan by the parent is as follows:

	2015	2014
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**P4,915,499,368**	P4,960,368,630
Less current portion	**44,657,383**	44,869,262
	P4,870,856,243	P4,915,499,368

Movements in debt issuance costs are as follows:

	2015	2014
Balance at beginning of year	**P39,631,370**	P -
Debt issuance costs during the year	**-**	42,715,758
Amortization during the year	**5,130,738**	3,084,388
Balance at end of year	**P34,500,632**	P39,631,370

Repayment Schedule
As at December 31, 2015, the annual maturities of loans payable are as follows:

Year	**Gross Amount**	**Debt Issuance Cost**	**Net**
2016	**P50,000,000**	**P5,342,617**	**P44,657,383**
2017	**50,000,000**	**5,566,298**	**44,433,702**
2018	**50,000,000**	**5,802,439**	**44,197,561**
2019	**50,000,000**	**6,051,734**	**43,948,266**
More than 5 years	**4,750,000,000**	**11,737,544**	**4,738,262,456**
	P4,950,000,000	**P34,500,632**	**P4,915,556,046**

Financing of Capital Expenditures and Debt Obligations

In 2014, the Parent Company entered into a Corporate Financing Facility in the aggregate principal amount of P5.0 billion to finance the Group's strategic acquisition plans and/or for other general corporate requirements.

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

1.) Seven-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P4.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

   a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
   b) On the Maturity date, an amount equal to ninety-four (94) percent of the principal plus accrued interest.

   The fixed rate is based on the 7-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

2.) Ten-year, unsecured Corporate Loan Facility with a consortium of six (6) local banks for P1.0 billion which bears annual interest based on PDST-F plus spread and the principal payable as follows:

   a) On the first anniversary after Issue Date and every anniversary until the sixth anniversary, an amount equal to one (1) percent of the principal; and
   b) On the Maturity date, an amount equal to ninety-one (91) percent of the principal plus accrued interest.

   The fixed rate is based on the 10-year PDST-F Rate on interest Rate Setting Date + spread of [100-150] bps.

Interest expense from these loans recognized in profit or loss amounted to P272.81 million and P170.49 million in 2015 and 2014, respectively.

As at December 31, 2014, the Parent Company is in compliance with the terms and conditions of the loans.

b.2 As at December 31, the outstanding loans by the subsidiaries are as follows:

Segment	**Unsecured Peso Denominated**	***Note***	**2015**	2014
Retail	Fixed rate note based on 3.5%	*i*	**P1,995,062,298**	P1,993,114,552
Retail	Fixed rate note based on 3.25%	*ii*	**570,000,000**	962,920,038
Retail	Fixed rate note based on 3.5%	*iii*	**400,000,000**	500,000,000
Real Estate	Fixed rate note based on 4.5%	*iv*	**1,432,500,000**	1,450,000,000
		28, 29	**4,397,562,298**	4,906,034,590
	Less current portion		**570,000,000**	962,920,038
			P3,827,562,298	P3,943,114,552

i. On June 13, 2013, PPCI issued a P2.0 billion promissory note. Interest is computed as 3.50% per annum of the principal amount. The debt has a term of 1,803 days and will be paid on a lump sum on May 21, 2018.

ii. On April 14, 2013, the PPCI signed and executed a two (2) year promissory note amounting to P963.7 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on April 15, 2015.

The movements in debt issue costs are as follows:

	2015	2014
Balance at beginning of the year	**P7,665,410**	P11,985,067
Amortizations	**(2,727,708)**	(4,319,657)
Balance at end of year	**P4,937,702**	P7,665,410

iii. On July 23, 2013, Kareila signed and executed a P500.00 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum. As at December 31, 2015, P100.00 million of the loan amount was already paid.

Interest expense from these loans amounting to P92.22 million and P99.51 million were capitalized in 2015 and 2014 and recognized in building and leasehold improvements under property and equipment accounts (see Note 11). Remaining interest expense that was charged to profit and loss amounted to P70.30 million and P47.26 million in 2015 and 2014, respectively. In 2013, interest expense amounted to P26.46 million.

Repayment Schedule

The annual maturities of long-term loans are as follows:

Year	**2015**	2014
2015	**P570,000,000**	P1,463,700,000
2018	**2,000,000,000**	2,500,000,000
	P2,570,000,000	P3,963,700,000

iv. On February 28, 2014, Ellimac obtained loan from Metrobank (MBTC) amounting to P1.45 billion which bears annual interest rate of 4.5%. The maturity date of the loan is January 21, 2021.

Interest expense incurred amounted to P71.22 million, P53.6 million, and P17.7 million for the years ended December 31, 2015, 2014 and 2013, respectively.

19. Other Current Liabilities

This account as at December 31 consists of:

	Note	**2015**	2014
Deposits	*22, 32, 33*	**P227,049,204**	P258,577,267
Promotion fund		**35,578,785**	76,806,772
Unredeemed gift certificates		**89,430,184**	66,275,200
Output VAT		**46,178,424**	4,031,365
Exclusive fund		**15,100,407**	-
Others	*32, 33*	**28,527,857**	3,227,290
		P441,864,861	P408,917,894

Deposits represent amounts paid by the store tenants for the lease of store spaces which are refundable upon termination of the lease.

Promotion fund is promotional discount granted for the Group's promotion and advertising activities in partnership with suppliers.

Unredeemed gift certificates represent issued yet unused gift certificates. These will be closed to sales account upon redemption and are due and demandable.

Exclusive fund is provided for the point's redemption of ''Tindahan ni Aling Puring" members. Points are earned upon purchase of participating items and may be used as payments of their purchases which makes it due and demandable.

Others include cashier's bond withheld from each cashier to compensate for any possible cash shortages in the store.

20. Deposit for Future Subscriptions in a Subsidiary

The Group thru OWI received funds from prospective investors intended as deposit for future stock subscriptions of OWI once the increase for Company's authorized capital is approved by the SEC. Outstanding amount due to stockholders were converted to deposit for subscription in 2013 amounting to P150.3 million. As at December 31, 2015 and 2014, the increase in authorized capital is yet to be filed to SEC by OWI.

21. Cost of Sales and Services

This account for the years ended December 31 consists of:

Cost of Sales

	2015	2014	2013
Beginning inventory	**P13,921,685,345**	P10,354,718,168	P -
Purchases/effect of business combination	**96,061,701,003**	83,597,776,467	49,475,784,167
Transfer-in	**2,441,804,284**	505,081,443	
Overhead costs allocated to inventories	**15,630,055**	29,866,610	-
Total goods available for sale	**112,440,820,687**	94,487,442,688	49,475,784,167
Ending inventory	**16,740,693,333**	13,921,685,345	10,354,718,168
	P95,700,127,354	P80,565,757,343	P39,121,065,999

Transfer-in pertains to the beginning inventory for newly-acquired subsidiaries.

Depreciation and amortization relating to cost of sales amounted to P134 million, P145 million and nil in 2015, 2014 and 2013, respectively.

Cost of Services

	Note	**2015**	2014	2013
Utilities		**P399,620,044**	P404,841,045	P100,323,277
Depreciation	*12, 13*	**331,914,150**	232,954,811	97,576,194
Taxes and licenses		**78,078,696**	76,995,643	41,357,453
Security services		**80,434,442**	61,204,229	27,979,985
Rentals	*22*	**41,627,446**	49,234,603	18,965,731
Janitorial services		**40,537,995**	42,149,832	18,098,479
Management fees		**27,815,951**	20,478,748	3,844,649
Repairs and maintenance		**50,598,159**	20,022,293	10,473,110
Salaries and wages		**15,712,851**	7,316,378	1,755,703
Insurance		**7,578,179**	6,334,031	-
Amusement tax		**3,906,854**	2,893,981	-
Operator services		**2,540,607**	1,543,076	428,316
Retirement benefit cost		**-**	200,239	-
Others		**7,989,242**	7,483,664	-
		P1,088,354,616	P933,652,573	P320,802,897

22. Lease Agreements

As Lessee

The Group leases warehouses, parking spaces and certain lands and buildings where some of its stores are situated or constructed. The terms of the lease are for the periods ranging from ten to forty (10-40) years, renewable for the same period under the same terms and conditions. The rent shall escalate by an average of 1% to 7%. Rental payments are fixed amounts which are calculated either fixed monthly rent or is calculated in reference to a fixed sum per square meter of area leased based on the contracts.

The Group is required to pay advance rental payments and security deposits on the above leases which are either fixed monthly rent or are calculated in reference to a fixed sum per square meter of area leased. These are shown under "Prepaid expenses and other current assets" and "Other noncurrent assets" accounts, respectively, in the consolidated statements of financial position (see Note 16).

Rent expense recognized in profit or loss amounted to P1,905.02 million, P1,669.92 million and P803.1 million in 2015, 2014, and 2013, respectively.

The scheduled maturities of non-cancellable minimum future rental payments are as follows:

	2015	2014	2013
Due within one year	**P1,894,167,506**	P1,726,091,499	P1,492,565,001
Due more than one year but not more than five years	**8,074,910,899**	6,904,365,995	6,443,961,725
Due more than five years	**32,850,125,381**	27,617,463,980	30,017,933,854
	P42,819,203,786	P36,247,921,474	P37,954,460,580

As Lessor

The Group subleases portion of its store space to various lessees for an average lease term of one to ten (1-10) years. The lease contracts may be renewed upon mutual agreement by the parties. Rental payments are computed either based on monthly sales or a certain fixed amount, whichever is higher. Upon inception of the lease agreement, tenants are required to pay certain amounts of deposits. Tenants likewise pay a fixed monthly rent which is shown under "Other current liabilities" account in the consolidated statements of financial position (see Note 19).

Rent income recognized as part of "Other Operating Income" account in profit or loss amounted to P371.26 million, P356.99 million and P157.46 million in 2015, 2014 and 2013, respectively (see Note 23).

The scheduled maturities of non-cancellable minimum future rental collections are as follows:

	2015	2014
Due within one year	**P1,079,563,185**	P1,413,870,145
Due more than one year but not more than five years	**3,266,699,857**	5,655,480,580
Due more than five years	**11,384,594,518**	22,621,922,321
	P15,730,857,560	P29,691,273,046

23. Other Operating Income

This account for the years ended December 31 consists of:

	Note	**2015**	2014	2013
Concession income		**P1,386,647,815**	P1,331,097,191	P779,004,895
Display allowance		**531,927,724**	368,698,644	270,979,649
Rent income	*22*	**371,262,459**	356,990,187	157,462,410
Membership income		**361,239,476**	298,232,302	123,714,404
Service income		**90,098,825**	33,636,572	-
Listing fee		**30,958,036**	35,910,199	-
Demo/sampling income		**8,554,355**	8,553,169	9,178,862
Miscellaneous		**143,986,945**	129,643,302	59,510,961
		P2,924,675,635	P2,562,761,566	P1,399,851,181

Concession income pertains to the fixed percentage income from sales of concessionaire suppliers' goods sold inside the store.

Display allowance refers to the income received from the suppliers for the additional space for display of the items in the selling area such as end cap modules and mass display.

Rent income relates to the income earned for the store spaces occupied by the tenants.

Service income pertains to income generated from promotional activities.

Membership income pertains to fees from members of Kareila, Company E and Subic wherein such fees permit only membership, and all other services or products are paid for separately.

Listing fee pertains to the amount collected from the supplier for enrolling their products in the classified business line.

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by Kareila in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others.

24. Operating Expenses

This account for the years ended December 31 consists of:

	Note	**2015**	2014	2013
Rent	*22*	**P1,863,394,071**	P1,620,693,313	P803,067,020
Manpower- agency		**1,820,179,108**	1,596,554,761	910,921,866
Salaries and wages		**1,674,066,021**	1,307,315,271	626,781,925
Communication, light and water		**1,644,044,377**	1,583,193,799	853,950,071
Depreciation and amortization	*12,13, 14*	**1,330,640,893**	1,226,596,185	634,922,184
Outside services		**1,188,291,950**	988,197,398	594,552,298
Taxes and licenses		**492,778,356**	470,292,000	220,051,095
Concession expense		**475,968,505**	441,413,825	283,094,774
Store and office supplies		**445,762,322**	380,242,596	195,409,523
Repairs and maintenance		**352,350,878**	268,152,776	134,309,263
Advertising and marketing		**274,977,146**	269,785,785	129,756,307
Distribution costs		**201,270,572**	50,594,798	-
Insurance		**163,068,478**	140,846,298	72,951,724
Representation and entertainment		**126,298,314**	90,229,663	33,603,823
Transportation		**125,555,079**	76,679,239	32,254,694
Retirement benefits cost	*27*	**111,792,434**	80,023,347	52,152,980
SSS/Medicare and HDMF contributions		**102,633,946**	84,189,783	42,790,514
Input VAT allocable to exempt sales		**81,815,741**	73,214,131	45,229,570
Fuel and oil		**42,815,321**	56,336,084	25,941,994
Royalty expense	*26*	**37,211,342**	33,317,078	18,413,860
Professional fee		**31,205,873**	54,962,652	-
Provision for doubtful accounts	*6*	**11,294,211**	6,371,835	-
Deficiency tax		**-**	34,966,423	-
Provision for unrecoverable deferred mineral exploration costs	*15*	**-**	-	32,648,397
Membership fees		**-**	-	12,595,700
Others		**278,263,378**	196,225,959	138,716,301
		P12,875,678,316	P11,130,394,999	P5,894,115,883

25. Others

This account for the years ended December 31 consists of:

	Note	**2015**	2014	2013
Commission income		**P43,257,254**	P50,370,662	P50,126,645
Gain on insurance claim		**38,721,771**	26,143,753	-
Parking fee		**15,684,078**	18,968,199	1,650,612
Unrealized valuation gain (loss) on trading securities	*8*	**(3,852,970)**	8,581,093	6,079,145
Gain (loss) on disposal of property and equipment		**(3,886,703)**	370,329	509,540
Bank charges		**(30,148,560)**	(7,829,860)	(3,772,253)
Share in results of associates and joint ventures	*11*	**(9,135,023)**	(10,925,730)	-
Foreign exchange loss		**(18,854,978)**	(48,073,684)	(847,376)
Reimbursement of expenses		**-**	24,998,078	-
Miscellaneous		**51,713,084**	10,697,132	(464,060)
		P83,497,953	P73,299,972	P53,282,253

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

Gain on insurance claim represents the excess of the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

Reimbursements of expenses pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

26. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions and account balances as at December 31 follow:

Related Party	Year	*Note*	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2015**	*a*	**P474,586,912**	**P31,228,847**	**P404,689,901**	Due and demandable;	Unsecured
	2014	*a*	P5,780,297	P1,895,737	P7,676,034	non-interest bearing	
Under Common Control							
▪ Advances	**2015**	*b*	**125,020,737**	**125,000,000**	**13,564,911**	Due and demandable;	Unsecured
	2014	*b*	13,851,299	16,148,701	25,607	non-interest bearing	
▪ Rent expense	**2015**	*g*	**183,851,132**	**-**	**883,397**	Due and demandable;	Unsecured
	2014	*g*	6,616,944	-	-	non-interest bearing	
Associates							
▪ Throughput fees	**2015**	*c*	**30,000,000**	**-**	**8,250,000**	Outstanding balance is	Unsecured
	2014	*c*	30,000,000		8,250,000	settled in cash within a month after the end of each quarter; non-interest bearing	
▪ Loans	**2015**	*d*	**-**	**-**	**-**	Due and demandable;	Unsecured
	2014	*d*	14,983,614	-	-		
▪ Concession expense	**2015**	*e*	**475,968,505**	**-**	**-**	Due and demandable;	Unsecured
	2014	*e*	478,759,373	-	-	non-interest bearing	
Key Management Personnel							
▪ Royalty expense	**2015**		**37,211,342**	**-**	**29,769,412**	Due and demandable;	Unsecured
	2014		33,317,078	-	26,654,003	non-interest bearing	
▪ Short-term benefits	**2015**		**124,593,457**	**-**	**-**		
	2014		73,344,955	-	-		
▪ Post-employment benefits	**2015**		**-**	**-**	**-**		
	2014		-	-	-		
Total	**2015**			**P156,228,847**	**P457,157,621**		
Total	2014			P18,044,438	P42,605,644		

The Group, in the normal course of business, has transactions with its related parties as follows:

a. Officers

Cash advances extended from and to an officer for working capital requirements.

b. Under Common Control

Cash advances extended from and to entities under common control for working capital requirements.

c. Throughput Agreement

On December 15, 2000, LPC, together with its co-joint venture in MJVC, as "Users", entered into a throughput agreement (TA) with MJVC and PLBRC. Under the TA, MJVC will provide the services to enable basis, each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. The Company, as the User, shall pay the services and annual fees based on a certain formula agreed upon under the TA. The fee shall be shared between the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025.

Throughput fees are shown as part of cost of sales (see Note 21).

d. Loans

Loans to related parties pertains to loans to associates which are unsecured and are payable in twenty (20) equal annual installments subject to annual interest based on the 91-day treasury bill rate plus a margin of 200 basis points subject to quarterly repricing. In the event of default, the Company through written notice may terminate the facility and any principal and interest outstanding shall be immediately due and payable on demand. The maximum credit risk exposure on these loans is equal to their carrying amount as at reporting date.

e. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with PPCI thru Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties.

f. Royalty Agreement

On August 15, 2011, the Group ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

g. Lease of Building

The Group leases the building from its related parties where some stores are located. The Group pays its related parties a minimum fixed amount or is calculated in reference to a fixed sum per square meter of area leased. The terms of the lease are for the periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions. The rent shall escalate by the range from 1% to 7%. Rental payments are fixed amounts based on the contracts.

h. As at December 31, 2015 and 2014, receivables and payables amounting to P522 million and P1 billion, respectively, were eliminated upon consolidation.

27. Retirement Benefit Costs

The Group has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 27, 2013. Valuations are obtained on a periodic basis.

The following table shows reconciliation from the opening balances to the closing balances of the present value of defined benefits obligations:

	2015	2014
Balance at January 1	**P458,436,122**	P293,041,032
Included in profit or loss		
Current service cost	**86,588,109**	63,434,907
Interest cost	**20,149,944**	16,955,785
Interest income on plan assets	**(1,122,500)**	(167,107)
	105,615,553	80,223,585
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions	**-**	(780,626)
Changes in demographic assumptions	**-**	(64,812)
Actuarial loss (gain) arising from:		
Financial assumptions	**(45,061,039)**	67,091,416
Experience adjustment	**(14,833,001)**	(12,064,685)
Return on plan assets excluding interest income	**666,962**	234,492
	(59,227,078)	54,415,785
Retirement benefits paid	**(6,665,070)**	-
Effect of business combination	**-**	30,755,720
Balance at December 31	**P504,824,597**	P458,436,122

The retirement benefits liability recognized in the statements of financial position as at December 31 are as follows:

	2015	2014
Present value of defined benefits obligation	**P504,824,597**	P458,436,122
Fair value of plan assets	**(25,000,000)**	(25,000,000)
Retirement benefits liability	**P479,824,597**	P433,436,122

The amount of retirement benefits cost recognized in profit or loss in December 31 consist of:

	2015	2014
Current service cost	**P93,253,180**	P63,434,907
Interest expense on the defined benefit liability	**20,149,944**	16,955,785
Interest income on plan assets	**(1,122,500)**	(167,107)
	P112,280,624	P80,223,585

The actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	2015	2014
Cumulative actuarial loss at beginning of year	**P71,133,477**	P3,600,700
Actuarial loss (gain) due to increase in defined benefit obligation	**(59,227,079)**	54,415,785
Effect of business combination	**-**	13,116,992
Cumulative actuarial loss at end of year	**P11,906,398**	P71,133,477

The cumulative actuarial loss, net of deferred income taxes, amounted to P8.33 million and P49.79 million as at December 31, 2015 and 2014, respectively, as presented in the consolidated statements of changes in equity.

The following were the principal actuarial assumptions at the reporting date:

	2015	2014
Discount rate	**4.89%**	5.32%
Future salary increases	**8.00%**	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 25.8 years.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	53,373,855	(25,219,866)
Future salary increase rate (1% movement)	112,197,550	(89,643,511)

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Funding Arrangements
Since the Group does not have a formal retirement plan, benefit claims under the retirement obligation are paid directly by the Group when they become due.

Maturity analysis of the benefit payments:

	2015				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P504,824,597**	**P106,371,652**	**P13,496,958**	**P26,786,698**	**P66,087,996**

	2014				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P458,436,122	P94,009,260	P13,616,702	P19,019,824	P61,372,734

Asset-liability Matching (ALM)
The Group does not have a formal retirement plan and therefore has no plan assets to match against the liabilities under the retirement obligation.

The Group has no expected future contribution for 2015.

28. Income Taxes

The income tax expense for the years ended December 31 consists of:

	2015	2014
Current tax	**P3,017,788,210**	P2,606,099,516
Deferred tax	**(200,674,359)**	(152,581,964)
	P2,817,113,851	P2,453,517,552

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the years ended December 31 is as follows:

	2015	2014	2013
Income before income tax	**P9,804,355,883**	P8,689,019,191	P5,082,352,623
Income tax expense at the statutory income tax rate:			
30%	**P3,243,210,337**	P2,750,847,690	P1,516,142,958
5%	**7,613,012**	6,192,440	4,120,060
Income tax effects of:			
Changes in unrecognized DTA	**73,268,072**	(5,357,424)	23,348,260
Nondeductible expense	**35,927,512**	24,081,712	125,767,036
Non-deductible interest expense	**10,158,679**	2,249,699	7,266,181
Nondeductible other expenses	**1,301,016**	31,329,842	854,553
Non-taxable rental income	**(94,823)**	(817,522)	-
Dividend income subjected to final tax	**(300,698)**	(195,297,502)	(274,254,372)
Share in net income of an associate	**(790,878)**		
Expired NOLCO	**(10,859,687)**	1,737,899	-
Non-taxable income-net subjected to final tax	**(16,250,114)**	(2,522,461)	-
Deduction from gross income due to availment of optional standard deduction	**(23,198,957)**	(15,340,024)	-
Interest income subjected to final tax	**(31,006,795)**	(46,115,638)	(53,449,474)
Dividend income exempt from final tax	**(358,095,151)**	-	-
Recognition of unrecognized DTA	**(113,767,674)**	(97,647,259)	735,141
Expired MCIT	**-**	356,158	616,771
Capital gain/loss subjected to capital gains tax	**-**	(180,058)	-
	P2,817,113,851	P2,453,517,552	P1,351,147,114

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	2015	2014
	DTA (DTL)	DTA (DTL)
Accrued rent expense	**P832,033,804**	P655,581,040
Retirement benefits liability	**147,977,195**	123,068,164
NOLCO	**201,333,651**	120,086,493
Allowance for impairment losses on receivables	**50,752,456**	49,337,160
Deferred rent income	**27,541,101**	1,558,133
Discounting of customers deposit	**10,167,198**	27,728,867
MCIT	**2,259,650**	4,199,446
Security deposit adjustment (asset)	**1,690,878**	1,487,782
Advanced rentals	**487,307**	2,051,081
Unrealized foreign exchange loss	**583,065**	402,286
Recognition of DTA	**126,818**	122,892
Provision for gas cylinders	**-**	510,000
Actuarial losses	**-**	14,462,674
DTA	**1,274,953,123**	1,000,596,018
Unrealized foreign exchange loss	**(986,305)**	(299,754)
Return on plan assets	**(136,661)**	-
Prepaid rent	**(8,366,357)**	(6,774,144)
Discounting of customers deposit	**(24,246,082)**	(1,793,329)
Accrued rent income	**(276,606,476)**	(218,395,710)
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued interest income	**-**	(729,547)
Security deposit adjustment (liability)	**-**	(26,434,774)
DTL	**(1,690,075,939)**	(P1,634,161,316)
Net	**(P415,122,816)**	(P633,565,298)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit liability.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below:

Year Incurred	**Amount Incurred**	**Expired (Applied) During the Year**	**Remaining Balance**	**Expiration Date**
2011	**P16,659,745**	**(P16,659,745)**	**P -**	**2014**
2012	**22,654,191**	**(22,654,191)**	**-**	**2015**
2013	**376,230,238**	**(50,126,928)**	**326,103,310**	**2016**
2014	**104,036,834**	**-**	**104,036,834**	**2017**
2015	**471,224,898**	**-**	**471,224,898**	**2018**
	P990,805,906	**(P89,440,864)**	**P901,365,042**	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2011	**P1,458,011**	**(P1,458,011)**	**P -**	**2014**
2012	**2,612,079**	**(2,612,079)**	**-**	**2015**
2013	**1,316,275**	**-**	**1,316,275**	**2016**
2014	**2,568,707**	**-**	**2,568,707**	**2017**
2015	**4,071,221**	**-**	**4,071,221**	**2018**
	P12,026,293	**(P4,070,090)**	**P7,956,203**	

29. Equity

The details of Parent Company's authorized, issued and outstanding capital stocks are as follows:

Amount

	Note	**2015**	2014
Authorized	*1*	**P10,000,000,000**	P10,000,000,000
Issued and outstanding:			
Balance at beginning of year		**P7,405,263,564**	P7,405,263,564
Stock issuances during the period	*1*	**-**	-
Balance at end of year		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	**2015**	2014
Authorized - (2014 - P1 par value, 2013 - P1 par value)	*1*	**10,000,000,000**	10,000,000,000
Issued and outstanding			
Balance at beginning of year		**7,405,263,564**	7,405,263,564
Stock issuances during the period	*1*	**-**	-
Treasury stocks		**(19,347,300)**	(472,200)
Balance at end of year		**7,385,916,264**	7,404,791,364

Capital Stock and Additional Paid-in Capital

On June 28, 2007, the BOD approved the increase in the Parent Company's authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.

On June 8, 2010, the SEC approved the Parent Company's application to increase its authorized capital stock as discussed above. In 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.

On April 22, 2013, the SEC approved the increase in the Parent Company's capital stock from P3,000,000,000 divided into 300,000,000,000 shares with par value of P0.01 each, to P10,000,000,000 shares with par value of P1.00 each.

The Parent Company has not yet implemented the stock option plan to qualified employees as at December 31, 2015 and 2014.

Treasury Stocks

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. On November 2, 2015, the Parent Company renewed its authority to buy back its shares for another one year. As at December 31, 2015 and 2014, the Parent Company already bought back 19,347,300 and 472,200 shares with acquisition cost of P154,039,906 and P3,963,490, respectively and was classified in the Parent Company's book as treasury shares. Additionally, as at December 31, 2015, the Group through PPCI bought back 2,970,465 shares with acquisition cost of P33,846,207.

Retained Earnings

On December 18, 2015, the Company's BOD approved the declaration of a regular dividend of P0.06 per share and special dividend of P0.02 per share on record date of January 8, 2016 and payment date of January 18, 2016. The total amount of dividends amounted to P590.87 million.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.02 per share and special dividend of P0.06 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends amounted to P592.42 million.

In a meeting held on June 27, 2014, the Company's BOD approved the declaration of a regular cash dividend amounting to P444.32 million equivalent to P0.06 per share to stockholders of record as at July 11, 2014. The related cash dividends were paid on July 28, 2014.

The summary of dividends declared as at December 31, 2015 and 2014 is as follows:

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	June 27, 2014	July 11, 2014	July 28, 2014	P444,315,814
Cash	December 18, 2014	January 8, 2016	February 5, 2015	592,421,085
Cash	December 18, 2015	January 8, 2016	January 18, 2016	590,873,301

30. Segment Information

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

Retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas, filling and distributions of LPG cylinders as well as distributions to industrials, wholes and other customers.
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
Holding, oil and 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 hereunder:

Segment Revenue and Results

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

	Segment Revenues		Segment Profit	
	2015	2014	**2015**	2014
Grocery retail	**P97,171,519,864**	P84,697,390,792	**P5,001,871,585**	P4,520,457,686
Specialty retail	**13,156,565,360**	19,999,219,952	**508,244,954**	399,556,122
Liquor distribution	**5,676,830,694**	4,840,817,814	**659,633,078**	603,431,864
Real estate	**2,422,603,792**	2,191,485,129	**1,027,890,831**	970,581,457
Holding, oil and mining	**1,986,833**	102,607,934	**973,987,044**	662,115,862
Total	**118,429,506,543**	111,831,521,621	**8,171,627,492**	7,156,142,991
Eliminations	**1,677,324,466**	13,044,777,781	**1,184,385,459**	920,641,352
	P116,752,182,078	P98,786,743,840	**P6,987,242,033**	P6,235,501,639

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

	2015	2014
Retail		
From external customers	**P97,171,519,864**	P84,697,390,792
From intersegment sales	**-**	-
	97,171,519,864	84,697,390,792
Specialty retail		
From external customers	**13,156,470,401**	8,950,174,551
From intersegment sales	**94,959**	309,371
Pre-acquisition earnings	**-**	11,048,736,030
	13,156,565,360	19,999,219,952
Real estate		
From external customers	**1,848,044,359**	1,379,054,373
From intersegment sales	**574,559,433**	563,580,829
Pre-acquisition earnings	**-**	248,849,927
	2,422,603,792	2,191,485,129
Liquor distribution		
From external customers	**4,574,160,620**	3,717,052,727
From inter-segment sales	**1,102,670,074**	1,123,765,087
	5,676,830,694	4,840,817,814
Holding, oil and mining		
From external customers	**1,986,833**	49,059,547
From inter-segment sales	**-**	53,548,387
	1,986,833	102,607,934
Total revenue from external customers	**P116,812,182,078**	P98,792,731,990
Total intersegment revenue	**P1,677,324,466**	P1,741,203,674
Pre-acquisition earnings	**P -**	P11,297,585,957

No single customer contributed 10% or more to the Group's revenue for the periods ended December 31, 2015 and 2014.

Segment Assets and Liabilities

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

	2015	2014
Segment Assets		
Grocery retail	**P58,861,264,793**	P53,666,395,695
Real estate	**21,739,306,188**	17,845,539,557
Specialty retail	**4,171,650,104**	4,017,731,147
Liquor	**5,698,727,753**	4,709,056,173
Holding, oil and mining	**97,286,639,754**	97,954,715,405
Total segment assets	**187,757,588,592**	178,193,437,977
Intercompany assets	**90,227,012,929**	88,494,858,437
Total assets	**P97,530,575,663**	P89,698,579,540
Segment Liabilities		
Retail	**P20,448,048,031**	P19,432,901,026
Specialty retail	**1,609,765,520**	1,628,238,975
Real estate	**8,122,868,508**	6,007,828,276
Liquor	**3,119,466,159**	2,589,759,625
Holding, oil and mining	**9,401,243,422**	9,625,148,334
Total segment liabilities	**42,701,391,640**	39,283,876,236
Intercompany liabilities	**10,579,988,167**	9,264,061,033
Total liabilities	**P32,121,403,473**	P30,019,815,203

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2015	2014	2013
Net income attributable to equity holders of the Parent Company (a)	**P4,490,644,237**	P4,026,866,478	P2,482,546,969
Weighted average number of ordinary shares (b)	**7,148,662,605**	7,405,263,564	4,708,542,190
Basic/Diluted EPS (a/b)	**P0.628180**	P0.543784	P0.527243

As at December 31, 2015, 2014 and 2013, the Group has no dilutive debt or equity instruments.

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	**2015**	2014
Cash in banks and cash equivalents	*4*	**P13,760,106,334**	P14,354,179,316
Short-term investments	*5*	**561,955,978**	824,078,115
Receivables - net	*6*	**5,648,133,162**	5,321,986,551
Due from related parties	*26*	**156,228,847**	18,044,438
Investment in debt securities	*9*	**1,918,335**	5,657,105
Security deposits	*16*	**1,615,471,291**	1,240,131,409
		P21,743,813,947	P21,764,076,934

The following is the aging analysis per class of financial assets as at December 31:

	December 31, 2015					
	Neither Past Due nor Impaired	**Past Due but not Impaired**				
		1 to 30 Days	**31 to 60 Days**	**More than 60 Days**	**Impaired**	**Total**
Cash in bank and cash equivalents	**P13,760,106,334**	**P -**	**P -**	**P -**	**P -**	**P13,760,106,334**
Short-term investments	**561,955,978**	**-**	**-**	**-**	**-**	**561,955,978**
Receivables - net	**5,648,133,162**	**3,895,836,288**	**487,769,932**	**1,264,526,942**	**149,684,186**	**5,797,817,348**
Due from related parties	**156,228,847**	**-**	**-**	**-**	**-**	**156,228,847**
Investment in debt securities	**1,918,335**	**-**	**-**	**-**	**-**	**1,918,335**
Security deposits	**1,615,471,291**	**-**	**-**	**-**	**-**	**1,615,471,291**
	P21,743,813,947	**P3,895,836,288**	**P487,769,932**	**P1,264,526,942**	**P149,684,186**	**P21,893,498,133**

	December 31, 2014					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P14,354,179,316	P -	P -	P -	P -	P14,354,179,316
Short-term investments	824,078,115	-	-	-	-	824,078,115
Receivables - net	3,193,191,931	1,064,397,310	798,297,983	266,099,328	164,457,192	5,486,443,743
Due from related parties	18,044,438	-	-	-	-	18,044,438
Investment in debt securities	5,657,105	5,657,105	-	-	-	5,657,105
Security deposits	1,240,131,409	-	-	-	-	1,240,131,409
	P19,635,282,314	P1,070,054,415	P798,297,983	P266,099,328	P164,457,192	P21,928,534,126

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

a. Cash in bank and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in debt securities are considered negligible, since the counterparties are reputable entities with high external credit ratings. The credit quality of these financial assets is considered to be high grade.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational 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:

	As at December 31, 2015				
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Accounts payable and accrued expenses[1]	**P11,631,855,205**	**P11,631,855,205**	**P11,631,855,205**	**P -**	**P -**
Short-term loans payable	**4,316,194,073**	**4,316,194,073**	**4,316,194,073**	**-**	**-**
Trust receipts payable	**5,182,021**	**5,182,021**	**5,182,021**	**-**	**-**
Due to related parties	**457,157,621**	**457,157,621**	**457,157,621**	**-**	**-**
Long-term Debt including Current Portion	**9,263,424,271**	**10,967,360,821**	**1,002,876,746**	**2,099,555,556**	**7,864,928,520**
Other current liabilities[2]	**255,577,061**	**255,577,061**	**255,577,061**	**-**	**-**
Noncurrent accrued rent	**2,492,888,910**	**2,492,888,910**	**18,684,176**	**272,574,829**	**2,201,629,905**
	P28,422,279,162	**P30,126,215,712**	**P17,687,526,903**	**P2,372,130,385**	**P10,066,558,425**

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

	As at December 31, 2014				
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liabilities					
Accounts payable and accrued expenses[1]	P12,515,097,343	P12,515,097,343	P12,515,097,343	P -	P -
Short-term loans payable	2,259,100,000	2,272,364,960	2,272,364,960	-	-
Trust receipts payable	-	-	-	-	-
Due to related parties	42,605,644	42,605,644	42,605,644	-	-
Long-term Debt including Current Portion	9,866,403,220	12,075,406,820	3,344,077,700	1,994,864,800	6,736,464,320
Other current liabilities[2]	261,804,557	261,804,557	261,804,557	-	-
Noncurrent accrued rent	2,068,506,537	2,068,506,537	76,598,218	216,580,847	1,775,327,472
	P27,013,517,301	P29,235,785,861	P18,512,548,422	P2,211,445,647	P8,511,791,792

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. Short and long-term loan with fixed rates are not subject to interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2015	2014
Financial assets		
Cash in banks	**P3,538,525,193**	**P2,877,998,722**
Money market placement	**10,221,581,141**	**11,476,180,594**
Short-term investments	**561,955,978**	**824,078,115**
	14,322,062,312	**15,178,257,431**
Financial Liability		
Notes payable	**13,579,618,344**	**9,866,403,220**
	P742,443,968	**P5,311,854,211**

The Group does not account for any fixed rate financial assets and liabilities at FVPL, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk

The Group's foreign currency risk at December 31, 2014 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at December 31, 2015 and 2014 follow:

	As at December 31, 2015				
Currency	**Current Assets**	**Current Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	**6,832,249**	**17,372,854**	**(10,540,605)**	**47.06**	**(P496,040,871)**
EUR	**143,322**	**499,322**	**(356,000)**	**51.74**	**(18,419,440)**
AUD		**183**	**(183)**	**34.27**	**(6,271)**
SGD		**89,641**	**(89,641)**	**33.52**	**(3,004,766)**
	6,975,571	**17,962,000**	**(10,986,429)**		**(P517,471,349)**

	As at December 31, 2014				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	7,201,987	(9,145,180)	(1,943,193)	44.720	(P86,899,591)
EUR	464	(268,781)	(268,317)	54.339	(14,580,077)
AUD	-	(100,773)	(100,773)	36.206	(3,648,587)
SGD	-	(46,575)	(46,575)	33.700	(1,569,578)
	7,202,451	9,561,309	(2,358,858)		(P106,697,833)

Sensitivity Analysis
A 2% decrease in the foreign exchange rates, with all other variables held constant would have decreased the Group's income after tax and equity by P7.24 million and by P1.49 million as at December 31, 2015 and 2014, respectively. A 2% increase in the foreign exchange rates would have the equal but opposite effect, on the basis that all other variables remains constant.

The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Capital Management
The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, remeasurements and retained earnings.

There were no changes in the Group's approach to capital management during the year.

33. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2015 and 2014.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties and Security Deposits
The carrying amounts of cash and cash equivalents, short-term investments, receivables and due from related parties approximate their fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets
The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Trust Receipts Payable, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent
The carrying amounts of accounts payable and accrued expenses, trust receipts payable, due to related parties and other current liabilities approximate the fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Short and Long-term Loans including Current Maturities
The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Carrying amounts approximate fair value.

Fair Value Hierarchy
The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

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

As at December 31, 2015 and 2014, the Group's investment in trading securities and AFS were measured based on Level 1.

As at December 31, 2015 and 2014, the Group has no financial instruments valued based on Level 2 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

34. Reclassifications

In 2015, comparative amounts were reclassified to conform to the current year presentation. These classifications did not have any effect on the Group's consolidated net income. These accounts follows:

	As Previously Reported	Effect of Reclassification	As Reclassified
Statement of Comprehensive Income			
Cost of sales	P80,841,348,763	(275,591,420)	P80,565,757,343
Other operating income	2,838,352,986	275,591,420	2,562,761,566

35. Event After Reporting Period

On December 29, 2015, the management of EPHI filed with the SEC the merger of 118 and EPHI with the latter as being surviving corporation. The merger was subsequently approved by the SEC on January 12, 2016 with effectivity on the same date.

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