

COVER SHEET

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SEC Registration Number

C O S C O C A P I T A L , I N C .

(Company's Full Name)

2 N D F L O O R , T A B A C A L E R A B U I L D I N G 2 ,
N O . 9 0 0 R O M U A L D E Z S T . , P A C O ,
M A N I L A

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

ATTY. CANDY DACANAY-DATUON

(Contact Person)

(02) 523-3055

(Company Telephone Number)

1 2

Month

3 1

Day

SEC FORM 17-A

(Form Type)

0 6

Month

2 7

Day

(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

Amended Articles Number/Section

Total No. of Stockholders

Total Amount of Borrowing

Domestic

Foreign

SEC Personnel concerned

File Number

LCU

Document ID

Cashier

STAMPS

Remarks: Please sure BLACK ink for scanning purposes.



COSCO capital
i n c o r p o r a t e d

April 15, 2014

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

Attention: **Director Vicente Graciano P. Felizmenio, Jr.**
Markets and Securities Regulation Division

Subject: **SEC 17-A ANNUAL REPORT FOR CY 2013**

GENTLEMEN:

Please see attached SEC 17-A Annual Report for the year 2013 of Cosco Capital, Inc.

Very truly yours,


Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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



1. For the fiscal year ended: December 31, 2013

2. SEC Identification Number: 147669

3. BIR Tax Identification No. : 000-432-378-000

4. Exact name of issuer as specified in its charter:

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

5. Province, country or other jurisdiction of incorporation or organization:

Republic of the Philippines

6. Industry Classification Code: (SEC Use Only)

7. Address of principal office:

2nd Floor Tabacalera Bldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007

8. Registrant's telephone number, including area code:

(632) 524-9236 or 38

9. Former name, former address and former fiscal year, if changed since last report:

ALCORN GOLD RESOURCES CORPORATION

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common	7,405,263,564
Debt	4,718,547,798

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

Yes [/] No []

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

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [/] No []

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

Yes [/] No []

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form. (See definition of "affiliate" in "Annex B").

DOCUMENTS INCORPORATED BY REFERENCE

14. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

Annex "A" - Consolidated Audited Financial Statements;

Annex "B" - Supplementary Schedules

PART I BUSINESS AND GENERAL INFORMATION

Item 1 Business

(1) Company Background

Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) (the Company) was incorporated and registered with the Philippine Securities and Exchange Commission (SEC) on January 19, 1988 with the primary purpose of engaging in exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity.

On October 8, 1999, the stockholders approved the amendment of the Company's primary purpose from an oil and mineral exploration and development corporation into a holding company so that it may pursue other businesses as opportunity comes. The original primary purpose is now included as one of the secondary purposes of the Company. The SEC approved the amendment on January 13, 2000. Cosco, as a holding company, may engage in any business that may add to its shareholders' worth.

On April 12, 2013, Lucio L. Co Group and Alcorn Gold Resources Corporation (now Cosco Capital, Inc.) executed a Deed of Assignment in Payment for the Subscription wherein the Lucio L. Co Group shall subscribe to the unissued unauthorized capital stock of the Company from the increase of its authorized capital stock at a subscription price of P15 per share for a total of 4,987,406,421 new shares at an aggregate subscription price of P74,811,096,315 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc., 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 "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions approved by the Company's Board of Directors.

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

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

In addition, 1,142,857,143 shares were subscribed and issued to subscribers for P10.50 per share for a total consideration of P12,000,000,001.50 after meeting all the closing conditions.

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

As the above transaction is effective as of May 30, 2013 or the date of the listing as provided in the Subscription Agreement dated April 12, 2013, the company as a conglomerate with a consolidation of the results of operations from 12 companies took effect only on June 1, 2013.

On July 5, 2013, SEC approved the registration of Alcorn Petroleum and Minerals Corporation, a wholly-owned subsidiary of Cosco Capital, Inc.

(2) Business of Issuer

Cosco, as a holding company, may engage in any business that may add to its shareholders' worth. The Company and its subsidiaries' current portfolio comprises interests in the following businesses:

Retail

The Company's retail business covers its 51% ownership in Puregold Price Club, Inc. as a result of the swap share mentioned above. This business engages in trading goods such as consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) on a wholesale and retail basis. Operations are conducted through the following retail formats and store brands, each of which is strategically located to target distinct price points and demographics.

Real Estate

Subsidiaries included in this industry are Ellimac Prime Holdings, Inc., Nation Realty, Inc., SVF Corporation, Go Fay & Co., Incorporada, 118 Holdings, Patagonia Holdings Corp. and Fertuna Holdings Corp. Primary purpose of these companies is to purchase, acquire, subdivide, lease, hold, own, use, sell or in any manner turn to account or dispose, of land and real estate of any class and description and thereon, or otherwise, to erect, construct, build, lease, use, equip, operate, or in any manner turn to account or dispose of buildings, of any kind or every kind, stores, storehouse, warehouses, offices, agencies, factories, plants, machineries, tools, equipment of any kind, with its appurtenances and appliances, to the fullest extent permitted by law.

Liquor Distribution

The Company conducts its liquor distribution business through its three wholly-owned subsidiaries; Premier Wine and Spirits, Inc., Meritus Prime Distributions, Inc. and Montosco, Inc. Operations of this business include 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.

Mining

Exploration, development and production of oil and gas and metallic and nonmetallic reserves in partnership with other companies or in its individual capacity.

(3) Products

Retail

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.) held for sale in the ordinary course of business on wholesale and retail bases.

Liquor Distribution

This Company's segment maintains a diversified portfolio of alcoholic beverages, ranging from brandy, rum, whisky, tequila, liqueurs and wines.

(4) Competition

Competition in Retail segment includes those of SM Supermarkets, Savemore, SM Hypermarkets, Puregold, Shopwise/Rustan's, Robinsons, and Walter-Mart are among the top and dominant market participants in the retail sector among the hypermarket, supermarket, neighborhood store, and cash & carry formats. In 2012, Rustan's Supercenter forged partnership with Dairy Farm, Wellcome Supermarket of Hongkong. Store Specialists, also part of the Rustan's Group of Companies, in partnership with Ayala got the franchise to operate Family Mart of Japan in the Philippines. The combined stores of SM are the industry lead, whereas, Puregold is a strong and close second.

For the Real Estate business, competition would still include SM Supermarkets, Savemore, Robinsons and Waltermart for those buildings that house the Puregold Supermarkets and other tenants like Jollibee, Abenson, Lukfoo International cuisine and others. For its specialty mall—999 Shopping Mall, competitors would be 168 Mall, 1188 Mall, 568 Mall, City Place, and Tutuban Mall which are all situated in Divisoria.

For the Liquor business, competition includes the distributors of Moet Hennesy, Remy Martin, and Bacardi Martini. Our business caters to the market of the imported and premium segment of liquor and wines. As such, the business is not directly competing with the local brands.

.Suppliers

The Company has a broad range of suppliers including local and foreign.

(5) Dependence upon Single or Few Suppliers or Customers

Retail

The Company is not dependent on a single supplier as the Company's products vary with different product lines which include food and non-food products that will require them to have several suppliers. Same thing with customers as the Company sees the public in general as its customers.

Liquor Distribution

The Company serves wide range of customers including distributors, supermarkets, hotels and restaurant chains.

(6) Transactions with Related Parties

The Group, in the ordinary course of its business, engages in a variety of arms-length transactions with related parties. Certain related party transactions are described below:

The Retail business 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.

The Liquor segment distributes wines and spirits to the retail business transacted at arms-length.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. (For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2013)

(7) Trademarks

The Company is a party to a trademark Licensing Agreement with Mr. Lucio Co, under which Mr. Co licenses the use of tradenames and trademarks related to the "Puregold" brand. The Company pays Mr. Co royalty fees of 1/20 of 1% of the Company's net sales for the use of the tradenames and trademarks. This Licensing Agreement is for a period of 30 years, and is exclusive.

Consequently, during the term of the Licensing Agreement, Mr. Co cannot license the tradenames and trademarks under this agreement except to Puregold Junior and the Licensed Affiliates. None of the tradenames and trademarks can also be transferred by Mr. Lucio Co. A list of the tradenames and trademarks subject of the Licensing Agreement is set out below.

TRADE NAMES		TRADE MARKS	
Puregold	Puregold Jr.	AlingPuring	Puregold Junior
Puregold Price Club	PuregoldBulilit	Puregold	Puregold Price Club
Puregold Choice	PuregoldSuki	Puregold Exclusives	Puregold Choice
Puregold Extra	Barangay Puregold	Puregold Express	Barangay Puregold
Puregold Jackpot	Puregold	Puregold	PuregoldBulilit

	Exclusives	Jackpot	
Puregold Junior		Puregold Jr.	PuregoldSuki

(8) Government Approvals

The Company has obtained all permits, licenses and approvals from national and local government units and other government agencies to conduct its operations.

(9) Effect of existing governmental regulations

The Company and its subsidiary have no knowledge of recent or probable government regulation that may have material adverse effect on the business operation or financial position of the Company and its subsidiary.

(10) Cost and Effect of Compliance with Environmental Laws

The Company has a minimal cost in complying with environmental laws including maintenance and renewal of ECC.

(11) Employees

As at December 31, 2013, the Company has approximately 4,933 employees. The total workforce of the Group follows:

Retail – 4,723
Liquor Distribution - 95
Real Estate - 68
Holding, Mining and Oil Storage - 47

(12) Major risks

Sourcing

Suppliers play an active role in the market. Supply disruptions or unreliable suppliers who fail to deliver the needs of the Company will delay or fail the operations of the Company.

To mitigate this risk, the Company intends to continue transacting with only trustworthy and established business partners. Also, the Company has a wide-range of suppliers to ensure that customer needs will be delivered.

Regulation and compliance

Decisions and changes in the legal and regulatory environment in the domestic market could limit the Company's business activities or increase its operating costs. Modifications of regulations or taxes may adversely affect the operations of the Company. This hold true both for the Retail and Liquor Business.

The Company has compliance committee who oversees memoranda or protocols from regulating bodies and ensures Company's compliance to these regulations.

As liquor is considered as health hazard when taken in excess, possible risk would be issuances of regulations like ban to alcohol drinking, and curfew either or both from the national and local government , We see this risk as remote however.

Oil exploration projects are under the supervision of the Philippine government's Department of Energy. Changes in policies or regulations or the legislative and fiscal framework governing these activities may have a material impact on the exploration and development activities of the companies in these sectors. Also, changes in regulations may affect the Company's operations and may increase its cost of doing business. Upon the lapse of approvals from regulatory authorities, there is

no guarantee that these will be renewed or renewed under terms acceptable to the Company. The Company then ensures that the approvals and permits are valid by monitoring very well its validity period, compliance with the governmental regulations, constant communication with the Authorities and updating itself with the new laws and regulations.

Environment risk

Environment risk for the Real Estate business includes the effect of the climate change like flooding, erosion and other unforeseen calamity that might affect the real estate properties. The Company mitigates this risk by carefully selecting the sites. There is a group within the company that conducts research and study in site selection including the environmental factors.

The business of oil exploration and development carry environmental risks and hazards and are subject to environmental regulation pursuant to a variety of international conventions as well as existing Philippine laws and regulations. Environmental legislation provides for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil operations. A company's compliance with such legislation, including health and safety laws, can involve significant costs and expenses and any breach in these laws may result in the imposition of fines and penalties, the amounts of which could be material. There can be no assurance that environmental laws will not result in an increase in exploration and development costs or the curtailment of operations which could adversely affect the results of operations and financial condition as well as its prospects.

Market Risk

a) Competitor risk

The Company's retail and real estate are highly competitive. The intensity of the competition in Philippines retail industry varies from region to region. Some of the major competitors considered by the Company are the SM malls, supermarkets and hypermarkets, Robinson's Supermarkets and Rustan's Supercenters. Competition includes product selection, product quality, and customer service and store locations.

The Company performs market research to locate areas that will maximize market coverage and penetrate its targeted customers. This careful selection of store locations and focus on specific markets has enabled it to build brand strength and loyalty across its targeted customer base.

For its specialty mall—999 Shopping Mall, competition is fairly manageable. The Mall is strategically located in Divisoria and very accessible. The risk of low occupancy is remote. The Company maintains a group that specialize in marketing, handling and communicating with the tenants who are mostly those retailers from Mainland China.

As our business caters to the market of the imported and premium segment of liquor and wines, we see no significant risk. It has its own market niche and does not directly competing with the local brands.

b) Supply risk

A shortage in the supplies and the volatility in its price may adversely affect the operations and financial performance of the Company.

The Company addresses this risk by regularly monitoring its inventories and ensuring that the inventory is always at its optimum level. The Company continuously gathers wide range of suppliers to ascertain that its supplies are filled through the year.

A possible risk would be the non-renewal of the distribution agreements by the brand owners. This is mitigated by the Company's attentive, diligent and religious compliance to the requirements and needs of the brand owners. The credibility of the Company in this industry having been there for about 18 years is the major deterrent of this risk.

c) Credit risk

The Company's fast-paced operation for retail, real estate and liquor business requires them to be liquid throughout the year. Failure of the Company to collect their receivables on time will prevent them from paying their suppliers on time and eventually slackening their operations.

The Company maintains a credit and collection policy ensuring that receivables are collected on time.

d) Pricing pressure

Country's economic condition and market competition are main drivers of this risk. Any adverse change in the economic environment of the Philippines may affect the purchasing power of consumers and unfavorably affect the Company's results. Low-growth consumer market means a low-demand growth and low turnover for the Company. The entry of new competitors triggers price war among companies as they intend to dominate the market.

The Company's continuous expansion helps mitigate this risk. The Company's increase in revenue will allow the Company to develop better pricing strategies. Pricing strategies are constantly reviewed to remain competitive and to attract or retain customers. Also, unnecessary costs or expenses are to be avoided by reviewing the supply chain management and eliminating non-value adding activities which will allow the Company to offer lower prices.

For the liquor business which imports its products, risk would be the foreign exchange which can affect the price of the commodity. The effect of the forex however can be passed on to the consumers. To mitigate the risk, the Company monitors and ensures purchase of goods at a lower forex rate.

Item 2 Properties

The Company, under its retail segment, owns the following properties:

a. Parcels of land with aggregate area of 33,575.57 sq meters

- 1 Rizal St., Barangay 1, Calamba City, Laguna
- 2 Lot 1862-B-1, Calicanto, Batangas City
- 3 Canlubang, Calamba Laguna
- 4 Barrio of Batong-Malaki, Municipality of Los Banos, Province of Laguna
- 5 Bo. Of San Pedro, Mun of Magalang Prov. Of Pampanga
Lot 6-G Block 180 and Lot 6-H Block 180 Mabuhay City, Cabuyao Commercial Complex,
- 6 Cabuyao, laguna
- 7 Brgy. Mamatid, Cabuyao, Laguna
- 8 J.Zamora St., Pandacan Manila
- 9 San Francisco, San Pablo City, Laguna
- 10 Brgy. Balibago, Municipality of Sta. Rosa, Province of Laguna

b. 5 buildings with aggregate area of 210,783.02 sq meters

- 1 Poblacion II, Tiaong Quezon City
- 2 Brgy. Balibago, Municipality of Sta. Rosa, Province of Laguna
- 3 Barangay Sto.Niño, Parañaque City
- 4 J.P. Rizal, Makati City
- 5 Commonwealth Avenue & Luzon Avenue, Quezon City

- 6 No. 3225 F. Roxas Street, Sta. Ana, Manila
- 7 Km 42 Mc Arthur Hi-Way Bulihan City of MalolosBulacan
- 8 Zabarte and Susano Streets, Kalookan City
- 9 San Mateo, Rizal
- 10 Governor's Drive San Gabriel GMA Cavite
- 11 3614 R. Magsaysay Blvd. Sta. Mesa Manila
- 12 Colago Ave. Brgy. San Roque, San Pablo city
- 13 Brgy. Panapaan, Bacoor, Cavite
- 14 Mindanao Ave. Quezon City
- 15 Commonwealth Ave. , Fairview Quezon city
- 16 Angel Linao St., Paco Manila
- 17 Brgy. Sanja-Mayor, Tanza Cavite
- 18 Sta. Maria Bulacan
- 19 Barrio Pico, La Trinidad Bemguet
- 20 Montalban, Rizal
- 21 Barrio of LumangSagad&Sto. Domingo, Municipality of Cainta, Province of Rizal
- 22 PoblacionVigan, Ilocos Sur
- 23 Brgy. Camilmil, Calapan City, Oriental Mindoro
- 24 National Road, Brgy. Magdiwang, Municipality of Noveleta, cavite
- 25 Paseo Del CongresoStreet corner PNR Road, GuinhawaMalolosBulacan
- 26 Barangay Tagapo, Sta Rosa City Laguna
- 27 Poblacion, Municipality of Tanay, province of Rizal
- 28 250 M.L. Quezon Street, Hagonoy, Taguig City
- 29 Gen.Luna St corner D.P. Laygo and H. La Torre Sts., Lipa City Batangas
- 30 Lapasan, Cagayan De Oro City
- 31 España cor. DelaFuente St., Sampaloc, Manila
- 32 Ramon Magsaysay Blvd., Sampaloc, Manila
- 33 Mc Arthur Highway, San Fernando, Pampanga
- 34 Gen. Ordonez St., Brgy. Concepcion I, Marikina City
- 35 M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal

c. Leasing the following 34 parcel of land with aggregate area of 207,536.02 sq meters

- 1 Barangay Sto.Niño, Parañaque City
- 2 J.P. Rizal, Makati City
- 3 Commonwealth Avenue & Luzon Avenue, Quezon City
- 4 No. 3225 F. Roxas Street, Sta. Ana, Manila
- 5 Km 42 Mc Arthur Hi-Way Bulihan City of MalolosBulacan
- 6 Zabarte and Susano Streets, Kalookan City
- 7 Barangay Nangka, San Mateo, Rizal
- 8 Governor's Drive San Gabriel GMA Cavite
- 9 3614 R. Magsaysay Blvd. Sta. Mesa Manila
- 10 Colago Ave. Brgy. San Roque, San Pablo City
- 11 Brgy. Panapaan, Bacoor, Cavite
- 12 Mindanao Ave. Quezon City

- 13 Commonwealth Ave. , Fairview Quezon city
- 14 Angel Linao St., Paco Manila
- 15 Brgy. Sanja-Mayor, Tanza Cavite
- 16 Sta. Maria Bulacan
- 17 Barrio Pico, La Trinidad Bemguet
- 18 Montalban, Rizal
- 19 Poblacion II, Tiaong Quezon City
Barrio of LumangSagad&Sto. Domingo, Municipality of Cainta,
Province of Rizal
- 20 PoblacionVigan, Ilocos Sur
- 21 Brgy. Camilmil, Calapan City, Oriental Mindoro
- 22 National Road, Brgy. Magdiwang, Municipality of Noveleta, Cavite
Paseo Del CongresoStreet corner PNR Road,
GuinhawaMalolosBulacan
- 23 Barangay Tagapo, Sta Rosa City Laguna
- 24 Poblacion, Municipality of Tanay, Province of Rizal
- 25 250 M.L. Quezon Street, Hagonoy, Taguig City
- 26 Gen.Luna St corner D.P. Laygo and H. La Torre Sts., Lipa City
Batangas
- 27 Lapasan, Cagayan De Oro City
- 28 España cor. DelaFuente St., Sampaloc, Manila
- 29 Ramon Magsaysay Blvd., Sampaloc, Manila
- 30 Mc Arthur Highway, San Fernando, Pampanga
- 31 Gen. Ordonez St., Brgy. Concepcion I, Marikina City
- 32 M.L. Quezon Avenue, Brgy. San Isidro, Angono, Rizal

d. Lease of the following 176 buildings wth aggregate area of 479,978.37 sq meters

- 1 312 Shaw Blvd Pleasant Hills Mandaluyong City
- 2 Tayuman Corner Juan Luna St. Tondo Manila
- 3 Mc Arthur Highway, Brgy. Dau, Mabalacat, Pampanga
- 4 Km 14 419 Mc Arthur Hi-Way Dalandanan Valenzuela City
- 5 Barangay Talon, Las Piñas
Lower & Upper Ground Floor FRC Mall Aguinaldo Hi-Way Palico 3
Imus Cavite
- 6 M. Concepcion Avenue, San Joaquin, Pasig City
- 7 Pavillion Mall, Biñan, Laguna
- 8 G. Araneta Ave., Cubao, Quezon City
- 9 San Andres cor. L.M. Guerrero St., Malate, Manila
- 10 2410-2433 Taft Avenue Pasay City
- 11 Dr. A Santos Avenue San Isidro Paranaque City
- 12 Benigno S. Aquino Avenue, Brgy. Nayon, Baliuag, Bulacan
- 13 E. Rodriguez Avenue corner G. Arenata Avenue, Quezon City
CoscoBldg, Avenida R.G. Tanchoco, Brgy San Juan corner National
Highway, Taytay Rizal
- 14 Km. 18 McArthur Highway, Banga, Meycauyan, Bulacan
- 15 N.Domingo and BlumentrittSts., San Juan City
- 16 #300 Samson Road, Monumento, Calocan City

- 19 Brgy. Victorial Village, LegaspiAlbay
El Molito Commercial Complex Mad Avenue Corner Zapote Road
- 20 Muntinlupa City
- 21 Felix Avenue Corner Marcos Highway San Isidro Cainta Rizal
No. 747 Claro M. Recto Avenue corner Dagupan Street., Divisoria
- 22 Manila
- 23 1018 Quirino Highway, Novaliches Quezon City
Royal Family Mall, Paso de Blas Road corner East Service Road,
- 24 North Expressway, Malinta, Valenzuela City
- 25 Asin corner Naguilan Road, Baguio City
- 26 San Nicolas, Angeles, Pampanga
Lot No. 1631-C-9, Lot No. 1631-C-4 Mac Arthur Hi-Way San Vicente
- 27 Apalit Pampanga
- 28 Gen. Luna St., BrgyTuktukan, Taguig City
- 29 Brgy. Halang, Calamba, Laguna
- 30 C. RaymundoAve. Cor. Legaspi St., Brgy. Raymundo, Pasig City
- 31 Brgy. TabangGuiguinto, Bulacan
- 32 Lt 1 Women's Club St., HulongDuhad, Malabon City
- 33 27 Susano Road Brgy. Nova Proper Novaliches Quezon City
- 34 Brgy. Baesa, TandangSora, Quezon City
- 35 A Bonifacio Avenue Brgy. Balingasa Quezon City
- 36 Banlic, Cabuyao, Laguna
- 37 Barangay Triangulo, Naga City
- 38 Barrio of Sto. Domingo, Capas, Tarlac
- 39 Barangay Masin, Candelaria, Quezon
- 40 Golden Ave., Golden City Village, DilaSta Rosa, Laguna
L. Avelino St., corner B. Monserrat St., BF Homes Commercial
- 41 Center, Parañaque City
- 42 Maharlika Highway, Cabanatuan City
- 43 Brgy. Biñan, Pagsanjan Laguna
- 44 San Jose Del Monte Province of Bulacan
- 45 Presidio, Muntinlupa City
- 46 Brgy. SanVicente, San Pedro Laguna
- 47 Putatan, Muntinlupa City
- 48 Olongapo-Gapan Road, BrgyPlazangLuma, Arayat, Pampanga
- 49 Barrio of Sto. Niño, Municipality of Hagonoy, Province of Bulacan
Cainta Junction, Ortigas Avenue Extension, Brgy. Sto. Domingo,
- 50 Cainta, Rizal
- 51 Brgy. Sto. Domingo, Municipality of Cainta, Province of Rizal
Osmeña Highway corner San Andres and G. Del Pilar Streets, Sta Ana
- 52 Manila
- 53 Osmeña Highway corner San Andres and G. Del Pilar Streets, Sta Ana
Manila
- 54 Molino, Bacoor, Cavite
- 55 Centro RoxasIsabela
- 56 San Fermin, CauayanIsabela
- 57 San Fernando City, La Union
- 58 National Highway, Puerto Princesa City, Palawan
- 59 Brgy San Agustin, San Fernando City, Pampanga

- 60 G. Del Pilar St., Parang, Marikina
- 61 Manggahan, Gen. Trias, Cavite
- 62 City of San Pablo Laguna
- 63 88 Gonzaga St., Brgy. Centro IV Tuguegarao City, Cagayan
- 64 Anabu Imus, Cavite
- 65 Claro M. Recto Avenue, Manila
- 66 Quirino Ave. & Evangelista St. Baclaran Pque City
- 67 Brgy. San Roque, Antipolo Rizal
- 68 8007 Pioneer St. Pasig City
Rizal Avenue and F.L. Dy Street Barangay District II, Cauayan City,
- 69 Isabela
- 70 Brgy. Dulong Bayan II, San Mateo, Rizal
- 71 Brgy. Palawit, Municipality of Gen. Trias
- 72 Malvar corner Knights of Rizal Streets, Tubigan, Biñan, Laguna
- 73 Poblacion Tres, Wilson St. Cabuyao Laguna
- 74 Barangay Bunsaran, Pandi, Bulacan
- 75 Mc Arthur Highway corner F. Tañedo Street, Matatalaib Tarlac City
- 76 Bo. Of Iba and Camalig, Mun. of Meycauayan, Province of Bulacan
Emilio Aguinaldo Highway corner Congressional Ave., Dasmariñas,
- 77 Cavite
Gov. Santiago St., cor. St. Jude, corner St. Joseph St., Malinta,
- 78 Valenzuela City.
- 79 Sta. Cruz, Lubao, Pampanga
- 80 Quirino Highway, Brgy. Sta. Monica, Novaliches, Quezon City
- 81 Brgy. San Pedro Angono Rizal
- 82 General Luna Street, Naga City
- 83 Capitol Drive corner Zulueta St., Poblacion, Balanga Bataan
M.H. Del Pilar Ancheta and C. Santos Streets Brgy. Poblacion, Tarlac
- 84 City\
- 85 McArthur Highway, Calvario, Meycauayan, Bulacan
- 86 Centro East, Santiago City, Isabela
- 87 Sto. Niño St., Brgy. Guagua Pampanga
- 88 Zamora St. Tarlac City
- 89 Nolasco St., cor. Castro Avenue and J.P. Rizal St., Laoag City
- 90 Brgy. Magugpo, Tagum City, Davao Del Norte
- 91 Brgy. San Jose, Digos City, Davao del Sur
- 92 J.P. Laurel Avenue, Davao City
- 93 Western Bicutan, Taguig City
Amang Rodriguez corner Marcos Highway, Brgy. Dela Paz , Pasig,
- 94 Metro Manila
- 95 76 Tandang Sora Ave., Tandang Sora Quezon City
- 96 San Pedro, Laguna
- 97 900 D. Romualdez St. Paco Manila
- 98 Quezon St., Poblacion, Malasiqui, Pangasinan
- 99 Brgy. San Antonio Floridablanca Pampanga
- 100 Brgy. Pulanglupa Las Pinas City
- 101 Governor's Drive San Agustin Trece Martires City
- 102 San Juan St., Cor. B.S Aquino Drive Sto. Niño Bacolod City

- 103 EdsaBalintawak, Brgy. Apolonio Samson, Quezon City
- 104 EDSA cor. Gregorio De Jesus St., Bagong Barrio, Caloocan City
- 105 Marcos Highway, Bakakeng Central, Baguio City
- 106 Zone 1, Bayambang, Pangasinan
- 107 Manila East Road, Barangay Pantok, Binangonan, Rizal
- 108 BonuanGueset, Dagupan City, Pangasinan
- 109 J. Figueras St. cor. Lardizabal St., Sampaloc, Manila
- 110 San Jose St., Butuan City
- 111 MasiitCalauan Laguna
- 112 P. Burgso corner Rumaldo St., Cavite City
- 113 Poblacion, Gen. Trias Cavite
- 114 Halang Road, Biñan, Laguan
Barrio of Sagapan, Municipality of Iba, Province of Zambales (Happy
Valley Center)
- 115 Mangatarem, Pangasinan
- 116 Mayombo, Dagupan City, Pangasinan
- 117 Provincial Road, Bayan, Orani, Bataan
- 118 Ortigas Ave., ExtentionCainta, Rizal
- 120 Toledo and OsmeñaSts., PoblacionPorac, Pampanga
- 121 Sixto Antonio Avenuem Rosario, Pasig
- 122 Aurora Blvd., Sta. Mesa, Quezon City
- 123 Sta. Rosa-Tagaytay Road, Brgy. PulongSta Cruz, Sta Rosa, Laguna
- 124 National Highway, Sto. Tomas, Batangas
- 125 Baraca- Camachile, Subic, Zambales
- 126 Timog Avenue, Diliman, Quezon City
- 127 TreceMartires City
- 128 Zabarte Road Novaliches Quezon City
- 129 Rizal Avenue corner Zurbaran, Manila
- 130 Brgy. Nalsian, Calasiao, Pangasinan
- 131 C.V. Starr Avenue, Philamlife Village, Pamplona II, Las Piñas City
- 132 Jorge Bocobo St., A Flores cor., Ermita Manila
- 133 E. Aguinaldo Highway , Tagaytay City
- 134 G/F Starmall, Edsa corner Shaw Blvd., Mandaluyong City

- 135 286 Blumentritt St. Sta.Cruz Manila
- 136 BF Homes, Along Aguirre Avenue, Parañaque City
- 137 Poblacion, Tanuan, Batangas
Basement Annex A St. Francis Square, Julia Vargas corner Bank Drive,
Mandaluyong City
- 138 AlabangZapote Road, Las Piñas City
- 139 Jose Yulo Sr. Blvd.,CanlubangCalamba City, Laguna
- 141 No. 1 west Ave., Brgy. Sta. Cruz I, Quezon City
- 142 San DionisioParañaque City
- 143 Balibago, Angeles, Pampanga
- 144 718 Quezon Avenue, Quezon City.
- 145 La Huerta, Parañaque City
- 146 Scout Borromeo St., cor. Mother Ignacia Ave., Brgy. South Triangle,

Quezon City

- 147 Rizal Ave., corner G. Puyat St., Sta Cruz, Manila
- 148 BagongBuhay Avenue, Brgy., BagongBuhay-B, Municipality of San Jose Del Monte, Bulacan
- 149 Commonwealth Ave., M. Balara/Capitol, Quezon City
- 150 Mc Arthur Highway, Dolores, City of San Fernando, Pampanga
- 151 M.L. Quezon Street, Barangay San Isidro, Antipolo City
- 152 Poblacion, San Juan Batangas
- 153 Holy Spirit Ave., Don Antonio Heights, Brgy., Holy Spirit Quezon City
- 154 Brgy. Mangahan, Municipality of Gen. Trias, Province of Cavite
- 155 Juan Luna St. near Padre Rada St. Tondo Manila
- 156 Qurino Ave., corner Alabang-Zapote Road, Las Piñas City
- 157 Brgy. Mayapa, Calamba, Laguna
- 158 BatongMalake, Los Baños, Laguna
- 159 53 West Avenue, Brgy. Paltok, Quezon City
- 160 Taft Avenue corner A. Arnaiz Street, Pasay City
- 161 704 Rizal Avenue Extention, Brgy. 90, Caloocan City
- 162 134 Del Monte Ave., cor. Cordillera St., Quezon City
- 163 Quezon Avenue, Quezon City
- 164 MacArthur Highway, Brgy. Calbario, Meycauayan, Bulacan
- 165 Bayan- bayan Ave., Concepcion Uno, Marikina City
- 166 126 R. Jabson St. Brgy. Malinao, Pasig City
- 167 P. Oliveros corner Gen. Luna corner Martinez St., Antipolo City
- 168 Batasan- San Mateo Road corner Santo Niño St., Quezon City
- 169 375 Tuktukan, Guiginto, Bulacan
- 170 J. Aguilar Ave., CAA Road, PulangLupa Dos, Las Piñas City
- 171 Cagayan Valley Road, Tabang, Plaridel, Bulacan
- 172 Brgy. Ususan, Taguig city
- 173 ML Quezon Ave., San Isidro, Angono Rizal
- 174 J.P. Rizal Avenue, Nangka Marikina City
- 175 346 Rizal avenue, Barangay San Juan, Taytay, Rizal
- 176 Lot 3A Block2 Old Sauyo Road, Barangay Sauyo, Novaliches, Quezon City

e. Company E Corporation, subsidiary of Puregold Price Club, Inc., owns the 1 building with aggregate area of 671 sq meters

- 1 41 Don P. Campos, Dasmariñas City, Cavite

f. Company E Corporation leases the following 15 buildings with aggregate area of 6,898.30 sq meters

- 1 122 Kalayaan Avenue, Diliman, Quezon City
- 2 Silang Crossing, Tagaytay City
- 3 Brgy. Concepcion, Marikina
- 4 Panorama, Brgy. Concepcion Dos, Marikina City
- 5 Taytay Rizal
- 6 A. Rodriguez Avenue, Cainta, Rizal
- 7 Brgy. Ampid, San Mateo, Province of Rizal
- 8 Philam Homes Quezon City

- 9 101 Interior TandangSora, Brgy. Pasong Tamo, Quezon City
- 10 Visayas Ave. 2nd from the corner of TandangSora Ave., Quezon City
- 11 102 Gen. Luna, Guitnang Bayan, San Mateo, Rizal
- 12 E. De la Paz Street Brgy. Sta. Elena, Marikina City
- 13 Col. Guido, San Roque, Angono Rizal
- 14 City of Antipolo, Rizal
- 15 Pasig City

PPCI Subic, Inc. leases the following 1 building with aggregate area of 4,917.70 sq meters

- 1 Fertuna Anchor Mall, Subic Bay Freeport Zone

AGRC does not own any real property. However, the company has participating interests in various petroleum and mineral properties in Philippines.

The Company, under its real estate segment, has the following properties:

Land and building

- M. Concepcion Avenue, San Joaquin, Pasig City
- Dr.SantosAve.,Paranaque City
- Brgy. Tabang, Guiguinto, Bulacan
- Poblacion, San Juan Batangas City
- Maharlika Highway, Cabanatuan, Nueva Ecija
- Brgy.Tuktukan, Taguig City
- G. Araneta Ave., Cubao, Quezon City
- E. Rodriguez Avenue corner G. Araneta Avenue, Quezon City
- 419 Km. Mc Arthur Highway, Valenzuela City
- Don Antonio Heights, Quezon City
- Juan Luna St.,Cor.Tayuman St.,Tondo,Manila
- Brgy.Masin, Candelaria, Quezon
- Avenida R.G. Tanchoco, Brgy. San Juan Cor. National Highway, Taytay Rizal
- Brgy. BagongNayon, Baliuag, Bulacan

Building

- Samson Rd. Brgy.75 District 2 West Caloocan City
- McArthur Highway, Brgy. Dau, Mabalacat, Pampanga

Land

- Samson Rd. Brgy.75 District 2 West Caloocan City
- Brgy. Subangdaku, Mandaue City, Province of Cebu
- 695 Laurel St. Mandaluyong
- 514 Shaw Blvd., Brgy. Pleasant Hills, Mandaluyong City
- The Fort Bonifacio Global City, Taguig
- The Fort Bonifacio Global City, Taguig
- The Fort Bonifacio Global City, Taguig
- The Fort Bonifacio Global City, Taguig
- Brgy.SanRoque, San Pablo, Laguna
- Brgy., PanaoaanBacoor, Cavite
- Camarin Caloocan City
- A. Linao St., Paco Manila
- Quirino Highway cor. Maligaya Drive, Novaliches, Quezon City

Brgy. Talon, Las Piñas City
M.H. Del Pilar St., Brgys., Tugatog and Tinajeros,
Malabon City
Urdaneta, Pangasinan
Brgy. San Gabriel, Governor's Drive, GMA, Cavite

AGRC has the following petroleum and mineral properties as of December 2013:

1. Service Contract No. 14 (B1) – North Matinloc

Service Contract No. 14 is located in 350 meters depth of water, approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four blocks (A, B, C & D).

The Matinloc oil field is located in Block B1 under Service Contract No. 14 located approximately 60 kilometers offshore from Palawan Island. SC No. 14 is divided into four (4) blocks composed of Nido (Block A), North Matinloc (Block B1), West Linapacan (Block C) and the retention area (Block D).

2. Service Contract No. 14 (C2) – West Linapacan, Offshore Northwest Palawan

The West Linapacan oil field is located in Block C under Service Contract No. 14 and covers a total area of approximately 850 hectares.

A separate structure, West Linapacan "B" field, located 7.5 kilometers from "A" field structure, was drilled in March 1993 with well testing at a rate of 2,860 BOPD.

3. Service Contract No. 14 (D) – Retained Area

The Company has a participating interest equivalent to 5.835% in the retained area under SC No. 14. The other members of the consortium are: Philodrill Corp. (33.75%); Nido Petroleum Philippines Pty Ltd. (31.42%); Oriental Petroleum and Minerals Corp. (20.83%); and Forum Energy Philippines Corp. (8.17%).

4. Service Contract 6(A) – Octon and North Block, Offshore Northwest Palawan

The SC No. 6(A) field is located in offshore Northwest Palawan covering 165,000 hectares of relatively shallow waters where a string of wells have found non-commercial oil accumulations in varied reservoir horizons.

5. Service Contract 6 (B) – Bonita, Offshore Northwest Palawan

The Bonita field under SC No. 6 (B) is located offshore northwest Palawan, adjacent to the Matinloc field of SC No. 14, with an area of 53,293 hectares. On June 17, 2009, the DOE approved the extension of the service contract for another 15 years or up to February 2024.

6. Service Contract 51 - East Visayan Basin

The contract area is located in the central part of the Philippine Archipelago. The contract area is defined by two (2) disjointed blocks, namely: an onshore-offshore block over Northwest Leyte and a largely deepwater block in Cebu Strait, between the islands of Cebu and Bohol with an aggregate area of 444,000 hectares.

Otto Energy has executed a farm-out of its SC-51 participating interest to Swan Oil and Gas. The agreement has been approved by the SC51 Joint Venture Partners and the DOE last July. In the Consortium meeting of October 27, 2011, NorAsia 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.

NORTH BLOCK:

102 line kilometers of seismic lines were completed by the seismic survey party last July 2012. 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. The exact expenditure details are not yet available but will be included in the final formal report.

Otto Energy informed that its Board has already approved the drilling budget of US\$6.6M for next year's drilling program which is likely to occur during 3Q of 2013. A very much larger rig is being sought for the drilling Duhat 2 to avoid the debacle of Duhat 1/1A. So far two serious drilling outfits have heeded the call for rig by Otto.

Item 3 Legal Proceedings

Neither the Company nor its subsidiaries has been involved or is involved in any governmental, legal or arbitration proceedings that may have or have had a material effect on the Company's business, financial position or profitability.

Item 4 Submission of Matters to a Vote of Security Holders

In 2013 Annual Stockholders Meeting, the following items were submitted to a vote of security holders:

1. Call to order
2. Proof of notice and quorum
3. Message of the Chairman and the President
4. Approval of the Minutes of the August 31, 2012 Annual Stockholders' Meeting and December 11, 2012 Special Stockholders' Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the August 31, 2012 Stockholders' Meeting
5. Presentation of the audited financial statements as of December 31, 2012
6. Election of seven (7) directors inclusive of two (2) independent directors
7. Approval of the listing of 1,142,857,143 common shares of Cosco Capital, Inc. subscribed on May 31, 2013 by Lucio L. Co and Susan P. Co through a top-up transaction and waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held by the attending minority stockholders pursuant to Section 5, Part A, Article V to the Revised Listing Rules of the Philippine Stock Exchange
8. Appointment of External Auditor
9. Other Matters
10. Adjournment

PART II OPERATIONAL AND FINANCIAL INFORMATION

Item 5 Market for Registrant's Common Equity and Related Stockholder Matters

a. Market Information

The table below shows the stock prices of the Company for years 2013 and 2012:

	2013			2012		
	Close	High	Low	Close	High	Low
1st Quarter	0.16	0.16	0.16	0.02	0.02	0.02
2nd Quarter	9.59	9.96	9.42	0.02	0.02	0.02
3rd Quarter	9.77	10.04	9.7	0.02	0.02	0.02
4th Quarter	8.79	9.15	8.79	0.14	0.15	0.14

The Company's shares of stock are traded in the Philippine Stock Exchange. As at March 31, 2014, the closing price of the Company's shares of stock is P9.50/share. For the three months ended March 31, 2014, stock prices of the Company were at a high of P9.65 and a low of P9.46.

- b. **Holders.** There are approximately 1,050 registered holders of common shares as of December 31, 2013 owning at least one board lot per 100 share (based on number of accounts registered with the Stock Transfer Agent).

The top 20 stockholders as at March 31, 2014 are as follows:

Stockholders' Name	Total
Ansaldo, Godinez & Co., Inc.	3,541,502,298
Co, Lucio L.	2,293,102,692
Co, Susan P.	1,780,182,230
Mbtc - Trust Banking Group	1,142,857,143
The Hongkong And Shanghai Banking Corp. Ltd. -Clients' Acct.	644,181,206
Deutsche Bank Manila-Clients A/C	251,345,701
VFC Land Resources, Inc.	220,066,928
Co, Ferdinand Vincent P.	209,557,122
Co, Pamela Justine P.	209,535,971
KMC Realty Corporation	150,832,231
Pajusco Realty Corporation	125,000,000
Standard Chartered Bank	120,983,275
Ellimac Prime Holdings, Inc.	119,191,238
The Hongkong And Shanghai Banking Corp. Ltd. -Clients' Acct.	95,576,800
Co, Camille Clarisse P.	83,295,231
King's Power Securities, Inc.	74,251,527
Strategic Equities Corp.	69,512,673
SB Equities, Inc.	52,622,812
COL Financial Group, Inc.	43,519,512
HDI Securities, Inc.	29,952,900

c. Dividends

No dividends were declared during the year.

d. Securities sold

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

In addition, 1,142,857,143 shares were subscribed and issued to subscribers for P10.50 per share for a total consideration of P12,000,000,001.50.

The issuance of common shares was exempt from registration being issued to fewer than 20 persons in the Philippines during the 12-month period as mandated by Section 10.1 of the Securities and Regulation Code.

Item 6 Management's Discussion and Analysis

Key Performance Indicators

The Management considers the following as key performance indicators of the Group:

- Return on investment (Net income / Ave. stockholders' equity) - measures the profitability of stockholders' investment
- Profit margin (Net income / Net revenue) - measures the net income produced for each peso of sales
- EBITDA to interest expense (EBITDA / Interest expense) – measures the ability of the Group to pay interest of its outstanding debts
- Current ratio (Current asset / Current liabilities) - measures the short-term debt-paying ability of the Group
- Asset turnover (Net revenue / Average total assets) - measures how efficiently assets are used to generate revenues
- Asset to equity ratio (Assets / Shareholders' equity) - indicates the Group's leverage used to finance the firm
- Debt to equity ratio (Liabilities / Shareholders' Equity) - measure of a Group's financial leverage

The table below shows the key performance indicators for the past three periods:

Performance Indicators	2013	2012	2011
Return on investment	10.32%	0.93%	1.22%
Profit margin	6.92%	32%	30%
EBITDA to interest expense	315.74:1	N/A	N/A
Current ratio	2.16:1	354:1	234:1
Asset turnover	1.09	.03:1	0.04:1
Asset to equity	1.37:1	1:1	1:1
Debt to equity ratio	0.08:1	Debt free	Debt free

Results of Operations

As the share swapping agreement is effective as of May 30, 2013 or the date of the listing as provided in the Subscription Agreement dated April 12, 2013, the Company operated as a conglomerate with a consolidation of the results of operations of the 12 companies starting on June 1, 2013 and the inclusion of APMC from July 5, 2013.

Comparison of results of operations between December 31, 2013 and December 31, 2012

Table 1: Consolidated Income Statements

The table below and the review of operations follows:

	2013	2012*	Fluctuation	% Fluctuation
REVENUES	48,976	3	48,973	1430624%
COST OF SALES	39,442	1	39,440	2760461%

GROSS PROFIT	9,534	2	9,532	477950%
OTHER OPERATING INCOME	1,400		1,400	
	10,934	2	10,932	548139%
OPERATING EXPENSES	5,830	12	5,818	47041%
INCOME FROM OPERATIONS	5,104	-10	5,114	-49297%
OTHER INCOME - net	-21	21	-42	-202%
INCOME BEFORE INCOME TAX	5,082	10	5,072	48703%
INCOME TAX EXPENSE	1,351		1,351	
NET INCOME FOR THE YEAR	3,731	10	3,721	35729%

Net Income Attributable to:

Equity holders of the Parent Company	2,515	10	2,505	24050%
Non-controlling interests	1,249		1,249	
	3,764	10	3,753	

	2013	2012*	Fluctuation	% Fluctuation
REVENUES	48,976	3	48,973	1430624%
COST OF SALES	39,442	1	39,440	2760461%
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	10,934	2	10,932	548139%
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INCOME FROM OPERATIONS	5,104	-10	5,114	-49297%
OTHER INCOME (CHARGES) - net	-21	21	-42	-202%
INCOME BEFORE INCOME TAX	5,082	10	5,072	48703%
INCOME TAX EXPENSE	1,351		1,351	
NET INCOME FOR THE YEAR	3,731	10	3,721	35729%
Net Income Attributable to:				
Equity holders of the Parent Company	2,515	10	2,505	24050%
Non-controlling interests	1,249		1,249	

Cosco Capital, Inc. and subsidiaries (the "Group") realized revenue of P49 billion for the year ended December 31, 2013. This is higher compared to last year's revenue of P3 billion. In the same period, the Group posted a net income of P3.7 billion which is higher compared to last year's figure of P10 million. This out-of-range fluctuation is because the Group's results of operations included revenues from 13 companies starting June 1, 2013 whereas 2012 represents Cosco as a mining company only.

Table 2 – Pro-forma Income Statement

For comparability and analysis purposes, a pro-forma financial statement is presented in Section B. Below is the management discussion and analysis of the results of operations for the pro-forma financial statements:

	2013	2012	Fluctuation	%
REVENUES	77,180	60,680	16,078	26%
COST OF SALES	63,137	50,490	12,258	24%
GROSS PROFIT	14,043	10,190	3,820	37%
OTHER OPERATING INCOME	2,216	1,667	549	33%
	16,259	11,857	4,369	37%
OPERATING EXPENSES	9,641	7,541	2,122	28%
INCOME FROM OPERATIONS	6,618	4,316	2,247	51%
OTHER INCOME (CHARGES) - net	733	-176	927	477%
INCOME BEFORE INCOME TAX	7,351	4,140	3,174	76%
INCOME TAX EXPENSE	2,078	1,283	793	62%
NET INCOME FOR THE YEAR	5,272	2,857	2,381	82%
Net Income Attributable to:				
Equity holders of the Parent Company	3,332	1,525	1,773	114%
Non-controlling interests	1,940	1,332	608	46%

On a pro-forma basis wherein the figures presented has been prepared to give effect as if the share-swapping transaction described above had been completed on January 1, 2012, the Group posted revenue of P771 billion in the year ended December 31, 2013. This is a 26% increase from last year's P60.7 billion of the same period brought about by strong revenue growth in various business segments. Increase in revenue for the retail business is about P15.7 billion; real estate, P837 million, liquor, P914 million and oil storage and mining, P623 million. The increase is generally attributable to newly opened stores and acquisitions for retail, sales volume growth for liquor and newly completed properties for lease from real estate.

Income from operations increased to P7.1 billion from last year's P4.3 billion or by P2.8 billion representing a 65% growth. Consolidated net income attributable to equity holders of the Parent Company for the year 2013 amounted to P3.3 billion representing approximately 115% increase from last year's consolidated net income after deducting the share of minority interest of P1.5 billion. Retail business accounts for 61% of the net income after deducting the share of minority interest; real estate, 20%; liquor distribution, 16% and oil storage and mining, 3%. The growth in net income is contributed by all business segments which factors are further discussed in their respective discussion and analysis portion hereunder. Further, the finance income from the money market placement of the amount received from the additional subscription as a result of the primary offering in June 2013 also contributed to the net income.

RETAIL

For the year ended December 31, 2013, the retail business posted net income of P4 billion from P2.7 billion of the same period in 2012 for an increase of 46%. This is contributed by the significant increase in sales as a result of additional operating stores this year; improved gross profit due to higher level of suppliers support and overall management effort.

For the year ended December 31, 2013, the retail business posted total net sales of P73.2 billion representing an increase of P15.8 billion compared to P57.5 billion in 2012 of the same period. Contributing to this increase were the sales from new stores of 2012 that fully operated only in 2013, and from the acquired stores last year, namely S&R and Company E.

The retail business posted an increase of 38% in gross profit for the year ended December 31 from P9.2 billion in 2012 to P12.7 billion in 2013 largely driven by strong sales growth and higher level of suppliers' support by way of rebates and conditional discounts granted in 2013.

Other operating income increased by P537 million or 32% from P1.7 billion in 2012 to P2.2 billion in 2013. This includes increase in concessionaire income, commissions due from renting of product locations in store aisles to suppliers and renting of booths to third party retailers, as well as increase in display allowances of the new stores & newly acquired subsidiaries including membership income from consolidation of S&R.

Operating expenses increased by P2.4 billion or 33.9% from P7.1 billion in 2012 to P9.4 billion in 2013. Majority of the increase was due to manpower cost of new stores, as well as rent expenses relative to new lease contracts, utilities expense, depreciation expense and taxes, all related to opening of new stores.

Other income, net of other charges, increased by P98 million or 400% from P24 million in 2012 to P122 million in 2013. This was due to the increase in interest income earned from short-term investments as of December 31, 2013 compared to the increase in 2012 of the same period.

REAL ESTATE

Real estate business posted P1.8 billion revenue for the year ended December 31, 2013 or a 90% increase from P935 million in the previous year. The increase was attributable to the newly constructed buildings that started operations in the last quarter of 2012 including those located in San Juan, Batangas, Anabu, Cavite, Subic, and building 2 in Divisoria 999.

Income from operations also increased to P854 million or a 199% from last year's P285 million. This was basically due to the significant increase in revenue while increase in operating expenses is slight as these are mostly fixed in nature. The completion in 2012 of the projects under construction in the previous years had a large impact since their revenues can already cover their corresponding expenses.

Real estate business' net income for the period resulted to P281 million from last year's loss of P29 million.

LIQUOR DISTRIBUTION

Revenue for the liquor business increased to P3.6 billion or a 34% growth from last year's P2.7 billion for the year ended December 31, 2013. Sales volume increased significantly as contributed by many factors, principal of which is the positive impact of the new tax regime implemented at the start of the year. The low excise tax also enabled the liquor business to do trade promotions and volume discounts to wholesalers which increased their purchases. Income from operations jumped to P731 million or a 234% increase from last year's P219 million. Improvement of the gross profit rate had contributed also to this as a result of lower excise tax law being implemented.

OIL STORAGE

Revenue for the year 2013 amounted to P144 million while income from operations is P94 million and net income of P93 million. The business commenced operations only in November 2012.

HOLDING AND MINING

Revenue decreased by 15% in 2013 from last year's P3 million to this year's P2.6 million of the same period due mainly to the decrease in the share in revenue received from SC-14 B1 (North Matinloc). Income from operations amounted to P29 million brought about by the interest income of P88 million earned from money market placements. Net income amounted to P28 million or a 155% increase from last year's P11 million of the same period.

Financial Condition

Table 3: Consolidated Statements of Financial Position

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

	2013	2012	Movement	% Movement
ASSETS				
Current Assets				
Cash and cash equivalents	14,744	999	13,745	1376%
Receivables - net	2,819	19	2,800	15041%
Available-for-sale financial assets	40	41	-1	-2%
Short-term investments	500		500	
Inventories	10,355		10,355	
Prepaid expenses and other current assets	1,703	2	1,701	76491%
	30,161	1,061	29,100	2744%
NONCURRENT ASSETS				
Noncurrent Assets				
Property and equipment - net	13,481	160	13,320	8306%
Investment properties - net	11,672		11,672	
Intangible assets	18,001		18,001	
AFS financial assets and investment in a joint venture	440		440	
Deferred oil and mineral exploration costs	119	150	-31	-21%
Deferred tax assets - net	53	5	48	943%
Others	1,196	3	1,193	44886%
	44,961	318	44,643	14027%
TOTAL ASSETS	75,122	1,379	73,743	5348%
LIABILITIES AND EQUITY				
LIABILITIES				
Current Liabilities				
Accounts payable, accrued expenses and other liabilities	11,438	3	11,435	448643%
Income tax payable	735		734	165624%
Loans payable and current portion of long-term debts	1,212		1,212	
Trust receipts payable	17		17	
Advances from related parties	173		173	
Others	414			
	13,988	3	13,985	467361%

Noncurrent Liabilities				
Retirement benefits liability	293		293	
Deferred tax liabilities	939		939	
Long term debts - net of current portion	3,452		3,452	
Others	1,620		1,620	
	6,303			
Total Liabilities	20,291	3	20,288	678016%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Equity				
Capital stock	7,161	1,275	5,886	462%
Additional paid-in capital	9,635		9,635	
Reserve for retirement plan - net of tax	-3		-3	
Cumulative unrealized gain on AFS financial assets	5	3	2	74%
Retained earnings	23,040	98	22,942	23362%
Total Equity Attributable to Equity Holders of Parent Company	39,837	1,376	38,461	2796%
Non-controlling interest	14,994		14,994	
	54,831	1,376	53,455	3885%
TOTAL LIABILITIES AND EQUITY	75,122	1,379	73,743	5348%

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

Table 4: Pro-forma Statements of Financial Position

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

	2013	2012	Mov't	% Mov't
A S S E T S				
Current Assets				
Cash and cash equivalents	14,744	10,701	4,043	38%
Receivables - net	2,819	3,371	-552	-16%
Investment in trading securities	40	86	-45	-53%
Short-term investments	500		500	
Inventories	10,355	7,100	3,254	46%
Prepaid expenses and other current	1,703	1,428	275	19%

assets				
	30,161	22,687	7,474	33%
NONCURRENT ASSETS				
Noncurrent Assets				
Property and equipment - net	13,481	10,527	2,954	28%
Investment properties - net	11,672	11,750	-78	-1%
Intangible assets	18,001	17,432	569	3%
Investments	440		440	
Deferred oil and mineral exploration costs	119	150	-31	-21%
Deferred tax assets - net	53	40	13	33%
Others	1,196	1,184	12	1%
	44,961	41,084	3,877	9%
TOTAL ASSETS	75,122	63,771	11,352	18%
LIABILITIES AND EQUITY				
LIABILITIES				
Current Liabilities				
Accounts payable, accrued expenses and other liabilities	11,852	10,583	1,269	12%
Income tax payable	735	500	235	47%
Loans payable and current portion of long-term debts	1,212	4,670	-3,458	-74%
Trust receipts payable	17	8	8	103%
Advances from related parties	173	1,781	-1,608	-90%
	13,988	17,541	-3,553	-20%
Noncurrent Liabilities				
Retirement benefits liability	293	164	130	79%
Deferred tax liabilities	939	1,059	-121	-11%
Long term debts - net of current portion	3,452	4,909	-1,457	-30%
Others	1,620	1,309	311	24%
	6,303	7,441	-1,138	-15%
Total Liabilities	20,291	24,982	-4,691	-19%
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY				
Equity				
Capital stock	7,161	5,978	1,183	20%
Additional paid-in capital	9,635	24	9,611	40681%
Reserve for retirement plan - net of tax	-3		-3	
Cumulative unrealized gain on AFS financial assets	5	3	2	74%
Retained earnings	23,040	19,307	3,733	19%
Total Equity Attributable to Equity Holders of Parent Company	39,837	25,311	14,526	57%
Non-controlling interest	14,994	13,477	1,517	11%
	54,831	38,788	16,043	41%

TOTAL LIABILITIES AND EQUITY	75,122	63,771	11,352	18%
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Current Assets

Cash and cash equivalents amounted to P14.7 billion as at December 31, 2013 with an increase of P4 billion from December 31, 2012 balance or a 37% increase due basically to the net effect of the receipt of the P12 billion worth of capital stocks subscribed and paid by various new investors in June 2013 as the aftermath of the primary placement offering in May 2013 and the significant decrease in cash of the retail business because of its payment of its long-term corporate notes, settlement of trade liabilities, payment of 2012 cash dividends and capital expenditure for new stores expansion and acquisition.

Receivables decreased by 15% from December 31, 2012 balance of P3.4 billion to this year's P2.8 billion due significantly to the retail business' increase of P253 million.

Inventories increased by 46% from 2012 balance of P7.1 billion to this period's balance of P10.3 billion due to the increasing size of the retail and liquor business. Bulk of the inventory pertains to the merchandise of the retail business which amounted to P9.4 billion with an increase of P2.8 billion principally due to stocking requirements of existing and new operating stores.

Prepaid expenses and other current assets increased by P275 million or 19% as at December 31, 2013 which was contributed significantly by the retail business in connection with their opening of new stores which caused them prepayments of rent, insurance, taxes, permits and licenses and input taxes.

Noncurrent Assets

As at December 31, 2013 and 2012, total noncurrent assets amounted to P45 billion or 60% of total assets, and P41 billion or 65% of total assets, respectively, for an increase of P3.9 billion or 9%.

Property and equipment pertains to the buildings and equipment mostly owned by the retail business. Book values of property and equipment increased by P2.9 billion or 28% from P10.5 billion in December 31, 2012 to P13.5 billion in 2013. This was due principally to additional capital expenditures incurred for the development and establishment of new stores during the current period most of which is attributable to retail business.

Investment property pertains to the land and buildings owned by the real estate business. Book values of investment properties decreased by P78 million or 1% from P11.8 billion in December 2012 to P11.7 billion in 2013. This was due principally to the depreciation and amortization charged to these assets.

Other noncurrent assets increased by P12 million or 1% from P1.18 billion in December 2012 to P1.20 billion in 2013. About 86% of these assets were contributed by the retail business and the increase was primarily due to increase in security deposits in relation to new leases acquired for new stores development.

Current Liabilities

As at December 31, 2013 and 2012, total current liabilities amounted to P11.8 billion and P10.5 billion respectively, for an increase of P1.3 billion or 12%.

About 89% of accounts payable and accrued expenses pertains to the trade payable to suppliers by the retail business and the balance mostly to the contractors and suppliers of the real estate business. The increase by P1.6 billion or 17% was primarily due to purchases of inventories for new stores opened in the current year. In addition, cash dividend amounting to P830 million was declared by PPCI during the year.

Significant part of the income tax payable pertains to that of the retail business. The increase of P235 million from P500 million in 2012 to P735 million in 2013 accounts the increase in revenue generated in 2013.

Noncurrent Liabilities

As at December 31, 2013 and 2012, total noncurrent liabilities amounted to P6.3 billion and P7.4 billion, respectively, for a decrease of P1.1 billion or 15%.

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

Long-term debts pertain to the loans of retail business from banks to finance its expansion. Long-term debt of retail business corporate notes as at December 31, 2012 was fully settled as at December 31, 2013.

Other noncurrent liabilities, which is primarily composed of noncurrent accrued rent, increased by P311 million or 24% from P1,309 million in 2012 to P1,620 million in 2013 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – Leases.

V. SOURCES AND USE OF CASH

A brief summary of cash flow movements is shown below:

	<u>For the nine-months period ended</u> <u>December 31</u>	
	2013	2012
Net cash flows provided by (used in) operating activities	718,535,509	(2,690,241)
Net cash flows provided by investing activities	1,164,922,242	21,238,217
Net cash flows provided by financing activities	9,726,166,106	-
Net increase in cash and cash equivalents	11,609,623,857	18,097,685

Net cash provided by operations for the period is P718 million basically refers to the income earned for the period adjusted by changes in current assets and current liabilities.

The bulk of the net cash flow provided by investing activities covers the cash obtained due to the consolidation reduced by the disbursements made for the acquisition of buildings and other properties and equipment.

Cash inflows from financing activities accounts the 12 billion proceeds from issuance of capital stocks reduced by the payments made to loan borrowings and finance costs.

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

VI. MATERIAL EVENTS AND UNCERTAINTIES

Below is the discussion and analysis of material events and uncertainties known to management that would address the past and would have an impact on future operations:

- (i) Seasonal aspects that had a material effect on the financial condition or results of the Group's operations includes retail and liquor business which sales tend to peak during the gift-giving Christmas season;

- (ii) There are no unusual transactions during the year. However, there are material changes in the financial statements caused by the consolidation of 12 companies as effect of the subscription agreement entered on April 16, 2013. Details of changes are discussed in the management discussion and analysis of operation;
- (iii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;
- (iv) There are no dividends paid during the year;
- (v) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;
- (vi) There are no contingent liabilities or assets since the last statement of financial position period;
- (vii) Sources of liquidity – Funding will be sourced from internally generated cash flow, cash recently received from the sale of shares to the equity market and from debt market if the need arises;
- (viii) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;
- (ix) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;
- (x) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;
- (xi) There are no significant elements of income not arising from continuing operations;
Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

Item 7 Financial Statements

Please see the attached consolidated financial statements and schedules.

Item 8 Information on Independent Accountant and Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

For fiscal year 2013, the Group engaged R.G Manabat & Co. (KPMG) as its external auditor to render audit on annual financial statements in compliance with the regular filings to BIR, SEC, PSE and other government regulatory agencies. Aggregate audit fee for the year is P2,195,000 exclusive of out-of-pocket expenses and value added tax.

There are no changes in and disagreements with accountants on any accounting and financial disclosures during the past two years ended December 31, 2013 or during any subsequent interim period.

PART III CONTROL AND COMPENSATION INFORMATION

Item 9 Directors and Executive Officers

Lucio L. Co, 59, Filipino, Chairman of the Board

Mr. Co has been a director of the Company since October 1997. Mr. Co has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He is also currently the Chairman of Puregold Price Club, Inc., Kareila Management Corporation, Puregold Finance, Inc., PPCI – Subic, Inc., Puregold Duty Free Subic, Inc., Ellimac Prime Holdings, Inc., NE Pacific Shopping Centers Corporation, Puregold Realty Leasing and Management, Inc., Pure

Petroleum Corp. and President of Bellagio Holdings, Inc., Forbes Company, LCKK & Sons Realty Company, Puregold Duty Free, Inc., and Puregold Properties, Inc. He is a Director of 118 Holdings, 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. Mr. Co has been an entrepreneur for the past 40 years.

Leonardo B. Dayao, 69, Filipino, President

Mr. Dayao has been a director and vice-chairman of the Company since October 1997 and elected as President on June 2010. Mr. Dayao has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He is also currently the Chairman of PSMT Philippines, Inc., President of Cosco Capital, Inc., Puregold Finance Inc. and NE Pacific Shopping Centers Corporation and Vice-President of Ellimac Prime Holdings, Inc., Bellagio Holdings, Inc., Puregold Properties, Inc., and VFC Land Resources, Inc. Mr. Dayao is also a Director of Fontana Development Corporation, Fontana Resort and Country Club, 118 Holdings, Inc., Ellimac Prime Holdings, Inc., Fertuna Holdings Corporation, and Nation Realty, Inc. Mr. Dayao was previously connected with Ayala Investment and Development Company as Vice-President from 1980 to 1984 and Bank of the Philippine Islands as Vice President from 1984 to 1994. Mr. Dayao received a Bachelor of Science degree in Commerce from the Far Eastern University. He is a Certified Public Accountant. He has completed Basic Management Program at Asian Institute of Management and earned units in MBA from University of the Philippines-Cebu.

Susan P. Co, 56, Filipino, Director

Mrs. Co was elected Director of the Company on August 30, 2013. Mrs. Co has been duly elected to hold office as Director for one year and until her successor is elected and qualified.

She is also currently Director of Puregold Price Club, Inc., Chairman of Cosco Price, Inc., and Treasurer of Bellagio Holdings, Inc. She is also a Director of Kareila Management Corporation, PPCI-Subic, Inc., Ellimac Prime Holdings, Inc., 118 Holdings, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp., Premier Wine and Spirits, Inc., Pure Petroleum Corp., Forbes Company, KMC Realty Company, Puregold Duty Free, Inc., Puregold Duty Free (Subic), Inc., NE Pacific Shopping Centers Corporation and Puregold Properties, Inc. Ms. Co received a Bachelor of Science in Commerce from the University of Santo Tomas.

Atty. Eduardo F. Hernandez, 83, Filipino, Director

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He serves as Chairman of the Board from 1987 to present and Company President from 1987 to June 2010. Atty. Hernandez has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He was the Executive Vice President and General Manager of Alcorn Production Philippines, Inc. He currently serves as a director for PNOG-EC and is a Senior Counsel of Romulo, Mabanta, Buenaventura & Sayoc Law Office. Atty. Hernandez obtained his Law Degree in University of the Philippines in 1953. He is the author of various law books such as: (a) Landowners' Rights published in 2002, (b) Philippine Admiralty and Marine Law, published in 1977, (c) Immigration Law and Practice in the Philippines, published in 1969, (d) co-author with Justice Fernando Hernandez, Criminal Procedure, 3rd Edition, published in 1969.

Levi Labra, 56, Filipino, Director

Mr. Levi Labra was elected Director of the Company on August 30, 2013 and he will hold office as Director for one year and until his successor is elected and qualified.

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 Bachelor of Science in Business Administration.

Robert Y. Cokeng, 62, Filipino, Independent Director

Mr. Cokeng has been an independent director of the Company since September 1987. Mr. Cokeng has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

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, 66, Filipino, Independent Director

Mr. Reyes has been an independent director of the Company since July 2009. Mr. Cokeng has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

He also serves as a director and/or officer in the following companies: Meralco as Chief Operating Officer and Director, Advisory Board member of Philippine Long Distance Telephone Co. and Chairman of Pepsi Cola Products Phils Inc., MRL Gold Philippines, Inc. and Link Edge Inc. He is also a member of the Board of Directors of Bank of the Philippine Islands, Ayala Land Inc., Manila Water Co., Smart Communications Inc., Basic Energy Corp., Sun Life Financial Phils Inc and Sun Life Prosperity Funds. Mr Reyes spent 21 years with the Shell Group, most notably as Country Chairman of the Shell Companies in the Phils., Chairman and President of Pilipinas Shell Petroleum Corp. and Managing Director of Shell Philippines Exploration B.V.

Atty. Jose S. Santos, Jr., 74, Filipino, Corporate Secretary

Atty. Jose Santos has been the Corporate Secretary of the Company since July 1999. He also serves as legal counsel to the Puregold Group of Companies, Campos Rueda Corporation, and Willis International Sales Corporation. He has been a practicing lawyer since 1962.

Atty. Candy H. Dacanay-Datuon, 35, Filipino, Assistant Corporate Secretary

Atty. Dacanay-Datuon was appointed Assistant Corporate Secretary of the Company in December 2012.

Ms. Dacanay is a lawyer and a member of the Philippine Bar since 2004. She has been employed as counsel for Puregold Group of Companies since 2004. She received a Bachelor of Arts, Cum Laude in Political Science from the Colegio de San Juan de Letran and a Bachelor of Laws Degree from the University of Santo Tomas.

ITEM 10 EXECUTIVE COMPENSATION

Directors	2013	2012	2011
LUCIO L. CO	146,200.00	105,400.00	65,875.00
LEONARDO B. DAYAO	146,200.00	118,575.00	65,875.00
EDUARDO F. HERNANDEZ	137,700.00	118,575.00	65,875.00
JAIME S. DELA ROSA	61,200.00	105,400.00	26,350.00
TEOFILO A. HENSON	52,700.00	65,875.00	-
OSCAR S. REYES	82,025.00	105,400.00	52,700.00
ROBERT Y. COKENG	137,700.00	92,225.00	65,875.00
SUSAN P. CO	85,000.00	-	-
LEVI B. LABRA	85,000.00	-	-
PONCIANO K. MATHAY	0	-	39,525.00
ANGEL UY TAN	0	-	39,525.00

Significant employees

Everyone is a member of the team working together to achieve the Group's vision and mission. Thus, they are all treated significant.

Family Relationships

Mrs. Susan P. Co is the wife of Mr. Lucio L. Co., Chairman of the Board.

Involvement in certain Legal Proceedings

The Directors and Executive Officers of the Company are not involved in any bankruptcy petition by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within two years prior to that time; any conviction by final judgment in a criminal proceeding, domestic or foreign, or being subject to a pending criminal proceeding, domestic or foreign, excluding traffic violations and other minor offenses; being subject to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, commodities or banking activities; and being found by a domestic or foreign court of competent jurisdiction (in a civil action), the Commission or comparable foreign body, or a domestic or foreign Exchange or other organized trading market or self-regulatory organization, to have violated a securities or commodities law or regulation, and the judgment has not been reversed, suspended, or vacated.

ITEM 11 SECURITY OWNERSHIP OF CERTAIN RECORD AND BENEFICIAL OWNERS AND MANAGEMENT

The Company has the following information about persons or group of persons known to be record or beneficial owners of more than 5% of the capital stock of the Company:

Title of Class	Name, Address of record owner	Relationship with the Company	Beneficial Owner and Relationship with Record Owner	Citizenship	Number of shares held	%
Common	Lucio L. Co, No. 22 Pili Avenue, South Forbes Park, Makati City	Major Stockholder	Direct and Indirect	Filipino	2,293,102,692	31%

Common	Susan P. Co	Major Stockholder	Direct Indirect	and	Filipino	1,780,1 82,	2 4 %
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To the extent known to the Company, there is no person or group of persons holding more than 5% of the common shares by virtue of a voting trust or similar agreement as there has been no voting trust agreement which has been filed with the Company and the Securities and Exchange Commission

Showb below are the holdings of the Directors and Executive Officers of the Company:

Shareholdings of Directors/Officers	Direct	Indirect	Total
Lucio L. Co , Director and Chairman	94,064,800.00	2,199,037,892	2,293,102,692
Leonardo B. Dayao, Director and President	150,000	107,380	257,380
Atty. Eduardo F. Hernandez, Director	120,000	0	120,000
Susan P. Co, Director	35,845,000	1,744,337,230	1,780,182,230
Levi B. Labra, Director	-	100	100
Robert Y. Cokeng, Independent Director	-	8,155,000	8,155,000
Oscar S. Reyes, Independent Director	54,264	-	54,264
Total	130,234,064	3,951,637,602	4,081,871,666

COMPENSATION OF DIRECTORS

The members of the Board of Directors of the Corporation are entitled to a director's fee in the amount of Php50,000 per Board Meeting attended, and Php30,000.00 per Committee meeting.

The following are the top 20 registered holders of the Company's securities:

COSCO CAPITAL, INC 'S TOP 20 STOCKHOLDERS AS OF MARCH 31, 2014

ANSALDO, GODINEZ & CO., INC.	3,541,502,298
MBTC - TRUST BANKING GROUP	1,142,857,143
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	644,181,206
DEUTSCHE BANK MANILA-CLIENTS A/C	251,345,701
VFC LAND RESOURCES, INC.	175,052,500
KMC REALTY CORPORATION	125,000,000
PAJUSCO REALTY CORPORATION	125,000,000
STANDARD CHARTERED BANK	120,983,275
ELLIMAC PRIME HOLDINGS, INC.	100,000,000
THE HONGKONG AND SHANGHAI BANKING CORP. LTD. -CLIENTS' ACCT.	95,576,800
CO, LUCIO L.	94,064,800
KING'S POWER SECURITIES, INC.	74,251,527
STRATEGIC EQUITIES CORP.	69,512,673
SB EQUITIES, INC.	52,622,812
COL Financial Group, Inc.	43,519,512
CO, SUSAN P.	35,845,000
HDI SECURITIES, INC.	29,952,900
FIRST METRO SECURITIES BROKERAGE CORP.	29,253,859
BDO SECURITIES CORPORATION	27,847,758

Change in Control

For the last fiscal year, there has been no arrangements which resulted in a change in control of the company.

ITEM 12 CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Group, in the ordinary course of its business, engages in a variety of arms-length transactions with related parties. Certain related party transactions are described below:

The Retail business 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.

The Liquor segment distributes wines and spirits to the retail business transacted at arms-length.

Transactions between related parties are on arm's length basis in a manner similar to transactions with non-related parties. The terms under which the Group binds itself with related parties are comparable to those available from unrelated third parties. To ensure this, the Group uses the terms and provisions it has in place for similar contracts with unrelated third parties as a benchmark for its agreements with related parties. (For more detailed information please refer to the related party transactions as disclosed in the Audited Financial Statements for the Year 2013)

PART V EXHIBITS AND SCHEDULES**(a) Exhibits**

Annex A – Consolidated Audited Financial Statements
Annex B – Consolidated Pro-forma Financial Statements
Annex C – Supplementary Schedules

(b) Reports on SEC Form 17-C

The following are the summary of the SEC Form 17-C filed to SEC by the Company:

Date of Report	Date Filed with SEC	Particulars
March 11, 2013	March 19, 2013	Department of Energy / DENR-MGB Certifications
April 23, 2013	April 29, 2013	Approval of the following: <ul style="list-style-type: none"> - Amended Articles of Incorporation of the Company with the following amendments: <ul style="list-style-type: none"> • Change in name of the Corporation from Alcorn Gold Resources Corporation to Cosco Capital, Inc. • Change in Authorized Capital Stock of the Company from Php3 Billion to Php10 Billion; and • Change in par value from Php0.01 to Php1.00 per share. - Certificate of Increase of Authorized Capital

		<p>Stock</p> <ul style="list-style-type: none"> - Letter re: Approval of Increase in Authorized Capital Stock (Confirmation of Valuation for the Increase); and - Confirmation of the Exempt Transaction in relation to the issuance of 4,987,560,379 common shares of the Company.
April 30, 2013	May 3, 2013	<p>The Management of Cosco Capital, Inc. issued a Company Presentation about the various companies injected thereto and Pro Forma Combined Financial Information on April 30, 2013.</p>
May 30, 2013	June 4, 2013	<p>On May 30, 2013, the Board of Directors of Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) (the"Company") authorized the execution of the International Placing Agreement, the Domestic Placing Agreement, the Subscription Agreement and all other agreements (the"Agreements") in relation to the Placing and Subscription Tranche (the"Transaction"), which is described as follows:</p> <ul style="list-style-type: none"> - the issuance and listing of 4,987,406,421 new shares of the Corporation (the"New Shares") pursuant to the SEC-approved increase of capital stock and share swap; - the cross trade at the Philippine Stock Exchange ("PSE") of Puregold Price Club, Inc. shares to the Corporation as consideration for the issuance of the New Shares as described in No. 1 above; - the issuance of the New Shares approved for listing shall be issued to the subscribers, the "Lucio Co Group" - the special block sale of up to 2,000,000,000 common shares of the corporation to be placed to Qualified Institutional Buyers will be transacted at the PSE (the "Offer") by Lucio L. Co and Susan P. Co as Selling Shareholders and the subsequent subscription by Lucio L. Co and Susan P. Co and the issuance of new shares of less than 2,000,000,000 common shares of the Corporation at the same price as those sold in the Offer ("Subscription Shares") <p>The company announced on May 31, 2013 with the Philippine Stock Exchange ("PSE") the successful pricing of its PHP16.8 billion offering (the"Offering") of 1,600,000,000 common shares at an offer price of PHP10.50 per share. The shares trade on PSE under the ticker symbol"COSCO.</p> <p>The transaction includes the sale of 1,142,857,143 primary shares for PHP12 Billion, and the remaining consists of secondary shares worth PHP4.8 billion. The offering is in conjunction with the issuance and listing of 4,987,406,421 new shares of the Company pursuant to the SEC-approved increase of capital stock and share swap.</p>

		<p>The Company intends to use the net proceeds from the Offering for further development of its commercial real estate business, debt financing, expansion into non-food specialty retail business and growth of its liquor distribution business.</p> <p>Following the placing tranche part of the Transaction, out of the 7,405,263,564 total issued and outstanding shares of the Corporation:</p> <ul style="list-style-type: none"> - 2,035,416,666 or 27% shares are held by the public; and - 6,275,164,375 shares are held by Philippine Nationals and 1,130,099,189 shares are held by non-Philippine nationals.
June 28, 2013	July 1, 2013	Approval of Audit Committee Charter last Feb. 25, 2013
July 19, 2013	July 22, 2013	<p>Cosco Capital Inc., will hold its Annual Stockholders Meeting on August 30, 2013, 2 PM at the Acaci Hotel, Alabang Muntinlupa City.</p> <p>Stockholders as of July 31, 2013 shall entitled to notice of, and to vote of at such meeting. The stock transfer book shall be closed from August 4, to 29, 2013.</p>
July 25, 2013	July 30, 2013	<p>Approval of the Board of Directors during its meeting held on July 25, 2013:</p> <ul style="list-style-type: none"> - Agenda for the 2013 stockholders' meeting that will be held on August 30, 2013 at the Acacia Hotel Alabang, Muntinlupa City. - Appointment of 2013 external auditor, ManabatSanagustin & Co., KPMG - Nominees for the 2013 board of directors: <ul style="list-style-type: none"> • Lucio L. Co, as regular director • Susan P. Co, as regular director • Leonardo B. Dayao, as regular director • Atty. Eduardo F. Hernandez, as regular director • Levi B. Labra, as regular director • Oscar S. Reyes, as independent auditor • Robert Y. Cokeng, as independent auditor
August 30, 2013	September 2, 2013	<p>Result of Annual Stockholders Meeting:</p> <ul style="list-style-type: none"> - Approval of the Minutes of the August 31, 2012 Annual Stockholders Meeting and December 11, 2012 Special Stockholders Meeting and ratification of all acts and resolutions of the Board of Directors and Management from the date of the August 31, 2012 Stockholders' Meeting - Audited financial statements as of December 31, 2012 - Approval of the listing of 1,142,857,143 common shares of Cosco Capital, Inc. subscribed on May 31, 2013 by Lucio L. Co (571,428,572 shares) and Susan P. Co (571,428,571 shares) through a top-up transaction and waiver of the requirement to conduct a rights or public offering by the majority of the outstanding shares held

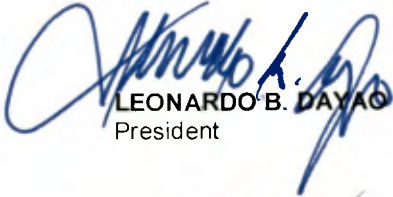
		<p>by the attending minority stockholders pursuant to Section 5, Part A, Article V to the Revised Listing Rules of the Philippine Stock Exchange.</p> <ul style="list-style-type: none"> - Appointment of the External Auditor, ManabatSanagustin & Co., CPAs. <p>On the same meeting, the following candidates were elected as Directors of Cosco Capital, Inc. for the year 2013:</p> <ul style="list-style-type: none"> • Lucio L. Co (as regular director) • Susan P. Co (as regular director) • Leonardo B. Dayao (as regular director) • Atty. Eduardo F. Hernandez (as regular director) • Levi B. Labra (as regular director) • Oscar S. Reyes (as independent director) • Robert Y. Cokeng (as independent director)
September 2, 2013	September 20, 2013	<p>Considering the corporate restructuring of Cosco Capital, Inc. (formerly Alcorn Gold Resources Corporation) whereby it ceased to be directly engaged in the oil exploration and mining business and concentrate in carrying out its primary purpose as a holding company of the retail businesses of Mr. Lucio L. Co, the Management offered its employees a retrenchment package in accordance with the Employees Retirement Plan.</p>
September 26, 2013	September 30, 2013	<p>Appointment of the following officers of Cosco Capital, Inc for the year 2013:</p> <ul style="list-style-type: none"> • Lucio L. Co – Chairman • Leonardo B. Dayao – President • Mary S. Demetillo – Chief Finance Officer • Atty. Jose S. Santos, Jr. – Corporate Secretary • Atty. Candy H. Dacanay-Datuon – Asst. Corporate Secretary and Compliance Officer
October 31, 2013	November 11, 2013	<p>In connection with the on-going process of changing the Company's Stock Certificates, please be informed that the Company is extending until January 15, 2014 to replace its old stock certificates.</p>
November 12, 2013	November 13, 2013	<p>Approval of the following matters during the meeting of the Board of Directors of Cosco Capital, Inc. held on Nov. 12, 2013:</p> <ul style="list-style-type: none"> - Approval of the Minutes of the previous meetings - 3rd Quarter consolidated Financial Performance - Appointment of the Board Committee Member, namely: <ul style="list-style-type: none"> • Executive Committee: Chairman – Lucio L. Co Members: Leonardo B. Dayao, Susan P. Co, Atty. Eduardo F. Hernandez and Oscar S. Reyes • Audit Committee: Chairman – Robert Y. Cokeng Members: Lucio L. Co and Leonardo B. Dayao

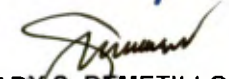
		<ul style="list-style-type: none">• Nomination Committee: Chairman – Lucio L. Co Members: Leonardo B. Dayao and Oscar S. Reyes• Compensation Committee: Chairman – Lucio L. Co Members: Leonardo B. Dayao and Levi Labra
November 28, 2013	November 28, 2013	<p>On November 28, 2013, the Board of Directors of Nation Realty Inc., Go Fay & Co., Inc., SVF Corporation and 999 Shopping Mall, Inc. unanimously agreed to merge these companies into one. The absorbing company is Nation Realty, Inc. these companies are jointly operating the “999 Shopping Mall located at Divisoria, Manila.</p> <p>Nation Realty, Inc., Go Fay & Co. Incorporada and SVF Corporation are wholly-owned subsidiaries of Cosco Capital, Inc., 999 Shopping Mall, Inc. is owned by 118 Holdings, Inc. which is also a wholly-owned subsidiary of Cosco Capital, Inc.</p>

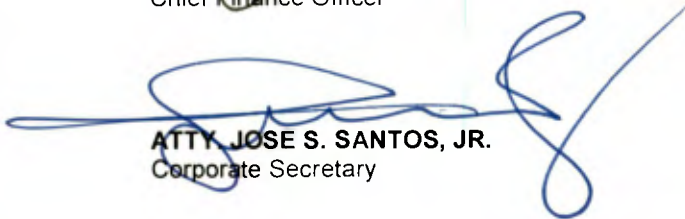
Signatures

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila, on 15th day of April 2014.

For COSCO CAPITAL, INC.:


LEONARDO B. DAYAO
President

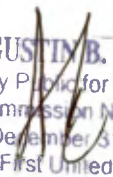

MARY S. DEMETILLO
Chief Finance Officer


ATTY. JOSE S. SANTOS, JR.
Corporate Secretary

SUBSCRIBED AND SWORN to before me this 15th day of April 2014, affiants exhibiting before me their TIN numbers:

Name	TIN Nos.
Leonardo B. Dayao	135-546-815
Mary S. Demetillo	152-885-512
Jose S. Santos, Jr.	136-370-998

Doc. No: 389:
Page No: 39:
Book No: 218:
Series of 2014.


ATTY. AGUSTIN B. CABREDO
Notary Public for Manila
Notarial Commission No. 2013-109
Until December 31, 2014
Rm 409, First United Bldg. Co.
Escolta, Manila
Roll No. 26047
PIR No. 2450249 / 1-2-14 / Manila
IBP Life Member 05097
MCLE No. IV 0000822

Sch A

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2013, 2012 and 2011



STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

The management of Cosco Capital, Inc. and Subsidiaries (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013 and 2012, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of 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 and appointed by the stockholders, for the period December 31, 2013 and 2012, has examined the consolidated financial statements of the Company in accordance with Philippine Standards on Auditing and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.

Signature _____
Printed Lucio L. Co
(Chairman)

Signature _____
Printed Leonardo B. Dayao
(President)

Signature _____
Printed Mary S. Demetillo
(Chief Financial Officer)

APR 15 2014

Signed this 4th day of April 2014
PAGE NO. 91
BOOK NO. 34
SERIES OF 2014

ATTY. JOEL G. GORDOLA
NOTARY PUBLIC
COMMISSION EXPIRES DEC. 31, 2015
PTR NO. 900571, I. GORDOLA, JR.
BULL. OF A. 11/11/10, 2010

REPORT OF INDEPENDENT AUDITORS

The Stockholders and Board of Directors
Cosco Capital, Inc.
(Formerly Alcorn Gold Resources Corporation)

We have audited the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, 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.



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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

April 4, 2014
Makati City, Metro Manila



R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue
Makati City 1226, Metro Manila, Philippines

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Internet www.kpmg.com.ph
E-Mail manila@kpmg.com.ph

Branches: Bacolod · Cebu · Iloilo · Subic

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, which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, 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, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

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



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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, 2013 and 2012, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2013 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

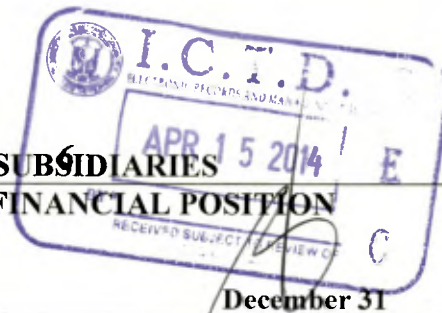
PTR No. 4225144MC

Issued January 2, 2014 at Makati City

April 4, 2014

Makati City, Metro Manila

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



December 31

	<i>Note</i>	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	4, 30, 31	P14,744,149,987	P998,705,399
Short-term investments	5, 30, 31	500,000,000	-
Receivables – net	6, 30, 31	2,818,808,266	18,616,967
Merchandise inventory	7	10,354,718,168	-
Available-for-sale financial assets	8, 30, 31	40,325,856	41,002,675
Prepaid expenses and other current assets	9	1,702,982,309	2,223,481
Total Current Assets		30,160,984,586	1,060,548,522
Noncurrent Assets			
Investments	10, 30, 31	439,775,237	-
Property and equipment - net	11	13,480,715,044	160,378,421
Investment properties - net	12	11,672,008,123	-
Intangibles and goodwill - net	13	18,000,887,819	-
Deferred oil and mineral exploration costs - net	14	118,829,183	150,157,792
Deferred tax assets - net	26	52,941,791	5,075,324
Other noncurrent assets	15, 30, 31	1,196,154,380	2,658,958
Total Noncurrent Assets		44,961,311,577	318,270,495
		P75,122,296,163	P1,378,819,017
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	16, 30, 31	P11,437,843,076	P2,548,862
Short-term loans payable	17, 30, 31	1,212,000,000	-
Income tax payable		734,939,892	443,471
Trust receipts payable	30, 31	16,543,219	-
Due to related parties	24, 30, 31	172,772,441	-
Other current liabilities	18, 30, 31	413,894,807	-
Total Current Liabilities		13,987,993,435	2,992,333
Noncurrent Liabilities			
Long-term loans payable - net of debt issue costs	17, 30, 31	3,451,714,933	-
Deferred tax liabilities - net	26	938,849,665	-
Retirement benefits liability	25	293,041,032	-
Other noncurrent liabilities	18, 30, 31	1,619,876,114	-
Total Noncurrent Liabilities		6,303,481,744	-
Total Liabilities		P20,291,475,178	P2,992,333

Forward

	<i>Note</i>	December 31	
		2013	2012
Equity			
Capital stock	27	P7,405,263,564	P1,275,000,000
Additional paid-in capital	27	9,634,644,229	-
Treasury stock		(244,757,527)	-
Remeasurements of retirement liability - net of tax	25	(2,520,490)	-
Cumulative unrealized gain on AFS financial assets	8, 10	4,565,462	2,623,692
Retained earnings		23,039,953,941	98,202,992
Total Equity Attributable to Equity Holders of Parent Company		39,837,149,179	1,375,826,684
Non-controlling interest		14,993,671,806	-
Total Equity		54,830,820,985	1,375,826,684
		P75,122,296,163	P1,378,819,017

See Notes to the Consolidated Financial Statements.

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

Years Ended December 31

	<i>Note</i>	2013	2012	2011
REVENUES				
Net sales		P47,848,891,949	P -	P -
Services		1,124,547,971	-	-
Production lifting		2,699,143	4,139,787	5,810,582
		48,590,330,890	4,139,787	5,810,582
COST OF SALES AND SERVICES				
Cost of sales	19	39,121,065,999	-	-
Cost of services	19	320,802,897	-	-
		39,441,868,896	-	-
GROSS PROFIT		9,534,270,167	4,139,787	5,810,582
OTHER OPERATING INCOME	21	1,399,851,181	29,014,341	30,749,167
		10,934,121,349	31,725,365	32,467,594
OPERATING EXPENSES	22	5,830,494,297	22,364,857	24,340,028
INCOME FROM OPERATIONS		5,103,627,052	10,789,271	12,219,721
OTHER INCOME (EXPENSES)				
Interest expense		(28,550,079)	-	-
Interest income	4, 5	17,614,984	-	-
Others -- net	23	(10,339,333)	-	-
		(21,274,428)	-	-
INCOME BEFORE INCOME TAX		5,082,352,624	10,789,271	12,219,721
INCOME TAX EXPENSE	26	1,351,147,114	19,298	1,233,467
NET INCOME		3,731,205,509	10,769,973	10,986,254
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that may be reclassified to profit or loss in subsequent periods:				
Unrealized fair value gains (losses) on available for sale financial assets	8, 10	1,941,770	(170,531)	1,955,750

Forward

Items that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	25	P43,637,916	P -	P -
Income tax effect		(13,091,375)	-	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		32,488,311	(170,531)	1,955,750
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		P3,763,693,820	P10,599,442	P12,942,004
Net income attributable to:				
Equity holders of the Parent Company		1,902,914,809	-	-
Non- controlling interests		1,828,290,699	-	-
Total comprehensive income attributable to:				
Equity holders of the Parent Company		16,569,039		
Non- controlling interests		15,919,272		
Basic and diluted earnings per share attributable to equity holders of the Parent Company	27	P0.5272432	P0.0000845	P0.0000862

See Notes to the Consolidated Financial Statements.

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

	Capital Stock	Additional Paid- in Capital	Reserve for changes in value of AFS	Remeasureme nts of Retirement Liability	Retained Earnings	Total Equity	Non-controlling interest
	P	P	P	P	P	P	P
Balance at January 1, 2011	P621,864,233	-	P838,473	-	P76,446,765	P699,149,471	-
Total comprehensive income							
Net income for the year	-	-	-	-	10,986,254	10,986,254	-
Other comprehensive income, net of tax	-	-	1,955,750	-	-	1,955,750	-
Total comprehensive income			1,955,750		10,986,254	712,091,475	
Transactions with owners of the Parent Company							
Issuance of ordinary shares	75,276,336	-	-	-	-	-	-
Subscribed capital stock	144,415,958	-	-	-	-	-	-
Balance at December 31, 2011*, as restated	841,556,527	-	2,794,223	-	87,433,019	931,783,769	
Total comprehensive income							
Net income for the year	-	-	-	-	10,769,973		
Other comprehensive income, net of tax	-	-	(170,531)	-	-		
Total comprehensive income			(170,531)		10,769,973		
Transactions with owners of the Parent Company							
Issuance of ordinary shares	577,859,431	-	-	-	-	-	-
Forward							
Total transactions with owners of the Parent Company	577,859,431						
Balance at December 31, 2012*	1,419,415,958		2,623,692	-	98,202,992	1,520,242,642	

	Note	Capital Stock	Additional Paid-in Capital	Reserve for changes in value of AFS	Remeasurements of Retirement Liability	Retained Earnings	Total Equity	Non-controlling interest
Total comprehensive income								
Net income for the year		P -	P -	P -	P -	P2,515,035,281	P -	P1,248,658,540
Other comprehensive income, net of tax				1,941,770	30,546,541			
Total comprehensive income				1,941,770	30,546,541	2,515,035,281		1,248,658,540
Transactions with owners with the Parent Company								
Issuance of ordinary shares - net of treasury shares		6,130,263,564	9,634,644,229	-	-	-	-	-
Effect of business combination		-	-	-	(33,067,031)	20,426,715,668	20,393,648,637	13,745,013,267
Total transactions with owners of the Parent Company		6,130,263,564	9,634,644,229		(33,067,031)	20,426,715,668	36,158,556,430	13,745,013,267
Balance at December 31, 2013		P1,419,415,958	P9,634,644,229	P4,565,462	(P2,520,490)	P23,039,953,941	P40,226,322,664	P13,745,013,267

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

	Years Ended December 31			
	<i>Note</i>	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		P5,082,352,624	P10,789,271	P12,219,721
Adjustments for:				
Provision of unrecoverable deferred mineral exploration costs		32,648,397	3,526,579	2,940,234
Depreciation and amortization	<i>11, 12</i>	693,065,110	487,529	666,738
Interest income	<i>4, 5</i>	(17,614,984)	(16,362,524)	(15,179,409)
Retirement benefits cost	<i>25</i>	52,152,980	1,275,708	134,450
Interest expense	<i>15, 17</i>	28,550,079	-	-
Gain on sale of available-for-sale financial assets		-	(9,517,791)	(11,950,332)
Gain on disposal of property and equipment		-	(465,995)	-
Dividend income		-	(1,307,078)	(2,984,973)
Unrealized foreign exchange loss (gain)		-	601,891	(587,453)
Unrealized valuation loss (gain) in trading securities	<i>8</i>	847,376	-	-
Operating income before changes in working capital		5,872,001,581	(10,972,410)	(14,741,024)
Decrease (increase) in:				
Receivables		(678,606,530)	(1,512,215)	(1,024,551)
Investments in trading securities		(6,079,145)	-	-
Merchandise inventory		(1,632,301,197)	-	-
Prepaid expenses and other current assets		118,077,638	(856,978)	79,111
Other non-current assets		(33,680,465)	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		2,249,360,421	412,980	672,376
Trust receipts payable		10,249,789	-	-
Due to a related party	<i>22</i>	(476,442,653)	-	-
Other noncurrent liabilities		217,175,717	-	-
Cash generated from (used in) operations		5,639,755,155	(12,928,623)	(15,014,088)
Income taxes paid		(1,002,084,268)	(356,157)	(527,550)
Net cash used by operating activities		4,637,670,886	(13,284,780)	(15,541,638)

Forward

Years Ended December 31

	<i>Note</i>	2013	2012*	2011*
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property and equipment	11		(P38,635)	(P207,039)
Cash proceeds from business combination		2,743,529,183	(139,090,000)	-
Additions to intangibles		(199,463,156)	-	-
Acquisition of short-term investments		(537,152,133)	-	-
Decrease (increase) in				
Deferred cost			344,998	1,453,352
Other noncurrent assets			(10,995)	(10,471)
Proceeds from sale of available-for-sale financial assets			159,517,791	132,238,868
Dividends received			1,307,078	2,984,973
Interest received		17,614,984	16,362,524	14,932,341
Proceeds from insurance claim			-	-
Proceeds from disposal of property and equipment		-	742,500	-
Proceeds from sale of investment in trading securities		33,223,435	-	-
Decrease (increase) in oil and mineral exploration		31,328,609	-	-
Payments for property and equipment		(1,908,346,688)	-	-
Payments for investment properties		(228,600,328)	-	-
Payments for investments		(439,775,237)	-	-
Net cash used in investing activities		(487,641,331)	39,135,261	151,392,024
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of long-term loans payable		(5,000,000,000)	-	-
Availment of loans payable		3,448,881,500	-	-
Availment of short-term loans payable			-	-
Proceeds from issuance and subscriptions of capital stock		12,000,000,000	433,443,473	56,480,127
Cash dividends paid			-	-
Finance costs paid		(28,550,079)	-	-
Payments for share issue cost		(861,221,146)	-	-
Net cash provided by (used in) financing activities		9,559,110,275	433,443,473	56,480,127
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(847,376)	(601,891)	587,453
NET INCREASE IN CASH AND CASH EQUIVALENTS		13,708,292,455	458,692,063	192,917,966
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	4	998,705,399	540,013,336	347,095,370
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	P14,706,997,854	P998,705,399	540,013,336

*This does not include information for Subsidiaries acquired in 2013(see Note 1 to the consolidated financial statements).

COSCO CAPITAL, INC. AND SUBSIDIARIES
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.

The Parent Company, together with other participants, entered into Service Contracts (SC) and Geophysical Survey and Exploration Contracts (GSEC) with the Philippine Government through the Department of Energy (DOE). It also entered into Mining Production Sharing Agreement (MPSA) with the Philippine Government through the Department of Environment and Natural Resources (DENR) (see Notes 10 and 22).

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 P74,813,405,682 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 the 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 share swap. The transaction is exempt from the registration requirements of the Securities Regulation Code.

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 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") from June 1, 2013, except for Alcorn Petroleum and Minerals Corporation, which was incorporated on July 5, 2013.

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

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.

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

Subsidiaries	Percentage of Ownership	
	2013	2012
Kareila Management Corporation	100.00	100.00
PPCI Subic, Inc.	100.00	100.00
Company E Corporation	100.00	-

Montosco, Inc.

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

Meritus Prime Distributions, Inc.

Incorporated and registered with SEC on February 17, 2010 to engage primarily in buying, selling, importing, exporting, manufacturing, repackaging, preparing, bottling, and 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 SEC on July 19, 1996 with a primary purpose 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 SEC on March 27, 1969 to acquire by purchase or lease, or otherwise, land and interest therein and to own, hold improve, develop, and manage any real estate acquired and to erect or cause to be erect or cause to be erected on any lands owned, hold or occupied by the corporation, building or other structures with their appurtenances, and to acquire, own, lease or otherwise possess, rebuild, enlarge or improve any buildings or structures now or hereafter erected on any lands, and to mortgage, sell, lease or otherwise dispose of any lands and buildings or other structures at any time owned or held by the corporation.

SVF Corporation

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

Go Fay & Co., Incorporada

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

118 Holdings

Incorporated and registered with SEC on November 11, 2008 to invest, purchase, sell, assign, transfer, mortgage, pledge, exchange or otherwise dispose real and personal property or every kind and description, including shares of stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts, or obligations of corporations, associations, domestic or foreign, for whatever lawful purpose may have been organized, and to pay therefore in whole and in part in cash or by exchanging therefore stocks, bonds, or other corporation, and while the owner or holder of any such real or personal property, stocks, bonds, debentures, notes, evidences of indebtedness or other securities, contracts, obligations, to receive, collect and dispose interest, dividends and income arising from such property and to possess and exercise in respect thereof, all the rights, stocks so owned. 118 Holdings owns 99.99% of 999 Shopping Mall, Inc.

Patagonia Holdings Corp.

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

Ellimac Prime Holdings, Inc.

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

Fertuna Holdings Corp.

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

Pure Petroleum Corp.

Incorporated and registered with SEC on July 9, 2009 with primary purpose to engage in the business of buying and selling of goods such as, but not limited to, 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 SEC on July 5, 2013 with primary purpose 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; to process, manufacture, refine, prepare for market, buy, sell, exchange, lease, acquire thru Service Contracts, Participating Agreements and all other forms of contracts or concessions dealing in lands, mines and mineral rights and claims, and to conduct all business appertaining thereto; to purchase, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, acquire, or otherwise, to own, hold and maintain, and to mortgage, pledge, lease, sell or otherwise dispose of petroleum, gas and oil lands, concessions, leases, royalties, and permits, lands and real estate of all kinds and the oil, gas and mineral rights and interest therein, to develop such lands, concessions, lease, rights and interests by and to enter into, acquire, carry out and execute contracts for drilling wells and installation of rigs, platforms, machinery and equipment; to construct, erect, and build, to purchase, lease or otherwise acquire, to own, manage, or in any manner dispose of or encumber, pipelines, plants, refineries, stations,

systems, tank cars, vessels, appliances, machinery, structures, equipment and facilities of all kinds for manufacturing, treating, processing, concentrating, distilling, and in any manner dealing in gas, petroleum and other oils, minerals, and volatile substances, asphalt, bitumen and bituminous substances and other similar products of every kinds and character for any and all purposes whatsoever; to carry on and conduct the general business of mining, to acquire and perform all powers conferred by law on said mining business, within and outside of the Philippines and for the carrying of all activities incidental thereto.

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

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 2nd Floor, Tabacalera Building #2, 900 D. Romualdez Sr. 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 4, 2014.

Basis of Consolidation

Business Combinations under common control

Business combinations arising from transfer of interest in entities under the 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 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

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 acquiree; 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.

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 available-for-sale (AFS) financial assets which are measured at fair market value.

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 the Fair Value of Financial Instruments

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 29 to the consolidated financial statements.

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 are classified as owner-occupied properties.

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 P803.1 million, P0.94 million and P 0.87 million in 2013, 2012, and 2011, respectively (see Notes 20 and 22).

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 P157.5 million, nil and nil in 2013, 2012 and 2011, respectively (see Notes 20 and 21).

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.

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 P17.2 million and P9.8 million as at December 31, 2013 and 2012. In 2013, the Group did not recognize an additional allowance for impairment losses on receivables because historical experience shows that all receivables that are past due are recoverable. There are no impairment losses on receivables in 2013 and 2012. The carrying amount of receivables amounted to P2.8 billion and P18.6 million as at December 31, 2013 and 2012, respectively (see Note 6).

Estimating Net Realizable Value (NRV) of Merchandise Inventory

The Group carries merchandise inventory at NRV whenever the utility of it becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes (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 merchandise inventory amounted to P10.4 billion and nil as at December 31, 2013 and 2012, 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 P693.1 million and P.49 million in 2013 and 2012, respectively (see Note 22). Property and equipment, net of accumulated depreciation, amounted to P13.48 billion and P160.4 million as at December 31, 2013 and 2012, respectively (see Note 11, 12, and 22).

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 P6.8 million and nil in 2013 and 2012, respectively (see Note 13). Net carrying value of computer software and licenses and leasehold rights amounted to P210.4 million and nil as at December 31, 2013 and 2012, respectively (see Note 13).

Impairment of Trademarks and Customer Relationships with Indefinite Lives

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

The carrying amounts of trademarks and customer relationships with indefinite useful lives amounted to P16.5 million as at December 31, 2013 and 2012 (see Note 13).

Estimation of Reserves

Oil and mineral reserves are key elements in the Company'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 14).

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 asset 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 P646.12 million and P5.71 million as at December 31, 2013 and 2012, respectively (see Note 26).

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 fair values reflected in the consolidated financial statements 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 of property and equipment and other non-financial assets recognized in 2013 and 2012.

Estimating Retirement Benefits

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 P293.0 million and nil as at December 31, 2013 and 2012, respectively (see Note 25).

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, 2013 and 2012, 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 and interpretations starting January 1, 2013 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards and interpretations did not have any significant impact on the Group's consolidated financial statements.

- *Presentation of Items of Other Comprehensive Income (Amendments to PAS 1)*. The amendments:
 - require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss;
 - do not change the existing option to present profit or loss and other comprehensive income in two statements; and
 - change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard.

- *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to PFRS 7)*. These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are:
 - offset in the statement of financial position; or
 - subject to enforceable master netting arrangements or similar agreements.

They include a tabular reconciliation of gross and net amounts of financial assets and financial liabilities, separately showing amounts offset and not offset in the statement of financial position.

- PFRS 10, *Consolidated Financial Statements*

PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees.

An investor controls an investee when:

- it is exposed or has rights to variable returns from its involvement with that investee;
- it has the ability to affect those returns through its power over that investee; and
- there is a link between power and returns.

Control is re-assessed as facts and circumstances change.

PFRS 10 supersedes PAS 27 (2008) *Consolidated and Separate Financial Statements* and Philippine Interpretation SIC-12 *Consolidation - Special Purpose Entities*.

- PFRS 11, *Joint Arrangements*

PFRS 11 focuses on the rights and obligations of joint arrangements, rather than the legal form (as was previously the case). It:

- distinguishes joint arrangements between joint operations and joint ventures; and
- always requires the equity method for jointly controlled entities that are now called joint ventures; they are stripped of the free choice of using the equity

method or proportionate consolidation.

PFRS 11 supersedes PAS 31, *Interests in Joint Ventures* and Philippine Interpretation SIC-13, *Jointly Controlled Entities - Non-monetary Contributions by Venturers*.

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

PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e., joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate:

- the nature of, and risks associated with, an entity's interests in other entities; and
- the effects of those interests on the entity's financial position, financial performance and cash flows.

▪ *Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to PFRS 10, PFRS 11, and PFRS 12)*

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

▪ PFRS 13, *Fair Value Measurement*

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

▪ PAS 19, *Employee Benefits* (Amended 2011)

The amended PAS 19 includes the following requirements:

- actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and
- expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

The impact of the adoption of these amendments is presented in Note 23.

- PAS 27, *Separate Financial Statements* (2011)

PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications.

- PAS 28, *Investments in Associates and Joint Ventures* (2011)

PAS 28 (2011) supersedes PAS 28 (2008), *Investments in Associates*. PAS 28 (2011) makes the following amendments:

- PFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest.

- *Annual Improvements to PFRSs 2009 - 2011 Cycle - various standards* contain amendments to five standards with consequential amendments to other standards and interpretations. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the financial statements of the Group:

- PAS 1 - *Presentation of the Opening Statement of Financial Position and Related Notes*. This is amended to clarify that:
 - the opening statement of financial position is required only if:
 - a change in accounting policy;
 - a retrospective restatement; or
 - a reclassificationhas a material effect upon the information in that statement of financial position;
 - except for the disclosures required under PAS 8, notes related to the opening statement of financial position are no longer required; and
 - the appropriate date for the opening statement of financial position is the beginning of the preceding period, rather than the beginning of the earliest comparative period presented. This is regardless of whether an entity provides additional comparative information beyond the minimum comparative information requirements.

The amendment explains that the requirements for the presentation of notes related to additional comparative information and those related to the opening statement of financial statements are different, because the underlying objectives are different.

Consequential amendments have been made to PFRS 1 and PAS 34, *Interim Financial Reporting*.

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

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2013, and have not been applied in preparing these consolidated financial statements. Except as otherwise indicated, none of these is expected to have a significant effect on the consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

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

To be Adopted on January 1, 2014

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32)*. These amendments clarify that:
 - An entity currently has a legally enforceable right to set-off if that right is:
 - not contingent on a future event; and
 - enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and
 - Gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that:
 - eliminate or result in insignificant credit and liquidity risk; and
 - process receivables and payables in a single settlement process or cycle.

To be Adopted on July 1, 2014

- *Defined Benefit Plans: Employee Contributions (Amendments to PAS 19)*. The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent on the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

To be Adopted (No definite date - Originally January 1, 2015)

- *PFRS 9, Financial Instruments (2009), PFRS 9, Financial Instruments (2010) and PFRS 9, Financial Instruments (2013)*

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities.

PFRS 9 (2013) introduces the following amendments:

- A substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements;

- Changes to address the so-called ‘own credit’ issue that were already included in PFRS 9, *Financial Instruments* to be applied in isolation without the need to change any other accounting for financial instruments; and
- Removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements.

The IASB is currently discussing some limited amendments to the classification and measurement requirements in IFRS 9 and is also discussing the expected credit loss impairment model to be included in IFRS 9. Once those deliberations are complete, the IASB expects to publish a final version of IFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of IFRS 9 will include a new mandatory effective date.

The Group will assess the impact of the above new and revised standards, amendments to standards and interpretations on the consolidated financial statements upon their adoption on their respective effective dates.

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, which is the fair value of the consideration given or received. 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 assets and liabilities as at December 31, 2013 and 2012.

Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

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 the 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 P40.3 million and P41.2 million as at December 31, 2013 and 2012, 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 and security deposits are included in this category (see Notes 4, 5, 6, 30 and 31).

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

The Group's investments in equity securities are classified as AFS financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, and foreign exchange gains and losses on AFS financial assets monetary items, are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

The Group's AFS is carried at cost since there are no observable market data on the related assets.

The carrying amount of financial assets under this category amounted to P379.8 million and nil as at December 31, 2013 and 2012, respectively (see Note 10).

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 16, 17, 18, 30 and 31).

Debt Issue Costs

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

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.

Offsetting Financial Instruments

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.

Merchandise Inventory

Merchandise inventory 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.

Investment Property

Investment property consists 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 transaction costs 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.

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.

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
Storage tanks	25
Machinery equipment	3-25
Furniture and fixtures	2 – 20
Office and store equipment	2 – 15
Computer software	5-10
Transportation equipment	3 – 5
Leasehold improvements	15 - 20 or term of the lease, whichever is shorter

The useful lives and depreciation and amortization method 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 in a Joint Venture

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.

The Group's investment in joint venture is accounted for under the equity method of accounting. Under the equity method, investment in joint venture is 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 investment in joint venture after the date of acquisition. The Group's share in the profit or loss of the investment in joint venture is recognized in the Group's profit or loss. Dividends received from the investment in joint venture reduce the carrying amount of the investment.

Investment in 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.

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 5 years. The estimated useful life and the amortization method of an intangible asset with finite useful life are reviewed at each reporting date.

Gain or loss on disposal or retirement of intangible asset with finite useful life is recognized in profit or loss when the asset is disposed of or retired.

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 to sell. 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.

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 Shares

Own equity instruments which are reacquired are carried at cost and are deducted from equity. Treasury shares also include shares of the Parent Company held by a subsidiary. 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 are retired, the capital stock account is reduced by its par value and the excess of cost over par value upon retirement is debited to additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued and to retained earnings for the remaining balance.

Other Comprehensive Income

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.

Revenue and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be 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.
- *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.
- *Rent Income* from property and equipment is recognized as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rent income, over the term of the lease.
- *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 Merchandise Sold

Cost of merchandise sold 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.

Operating Expenses

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

Borrowings and Borrowing Costs

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for more than 12 months after the reporting date.

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.

Leases

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 or significant influence. 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 37 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. All inter-segment transfers are carried out at arm’s length prices.

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

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, any outstanding options are further assumed to have been exercised at the beginning of the period.

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:

	<i>Note</i>	2013	2012
Cash on hand		P720,101,890	P10,068
Cash in banks	<i>30, 31</i>	2,349,103,633	8,113,747
Money market placements	<i>30, 31</i>	11,674,944,464	990,581,584
	<i>30</i>	P14,744,149,987	P998,705,399

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.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Retail segment engages in investing activities in order to maximize earnings on available cash funds. These investments earn interest at the prevailing market rate of 1.85% in 2013.

6. Receivables

This account consists of:

	<i>Note</i>	2013	2012
Trade receivables	<i>a</i>	P1,843,552,590	P3,194,378
Non-trade receivables	<i>b</i>	795,518,256	25,201,094
Net assets retained by the assignor	<i>c</i>	6,674,310	-
Advances to suppliers		64,499,933	-
Others		125,804,009	-
		2,836,049,098	28,395,472
Less allowance for impairment losses on trade receivables from third parties	<i>a</i>	17,240,832	9,778,505
	<i>30, 31</i>	P2,818,808,266	P18,616,967

- 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 P17,240,832 and P9,778,505 as at December 31, 2013 and 2012 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:

	<i>Note</i>	2013	2012
Beginning balance		P9,778,505	P9,778,505
Impairment losses recognized during the year due to business combination	<i>21</i>	7,462,327	-
Ending balance		P17,240,832	P9,778,505

- 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.

- c. On December 13, 2012, a subsidiary (the “Assignee”) entered into an agreement with previous shareholders (the “Assignors”) of an indirect subsidiary to acquire all its shares as undivided whole subject to the terms and conditions set by both parties. It was agreed that certain assets and liabilities as at December 31, 2012 will be retained by the Assignors. Any net assets or net liabilities resulted from this will be considered in the final settlement in 2014 of the assignee to the assignor.

7. Merchandise Inventory

This account consists of groceries and other consumer products (canned goods, housewares, toiletries, dry goods, food products, etc.), wines and spirits held for sale in the ordinary course of business on wholesale and retail bases.

Inventory cost as at December 31, 2013 and 2012 is lower than NRV.

The Group’s merchandise inventory as at December 31, 2013 and 2012 amounted to P10,354,718,168 and nil, respectively (see Note 19).

8. Available-for-sale Financial Assets

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	2013	2012
Balance at beginning of year		P37,200,000	P48,110,000
Additions/Effect of business combination during the year		16,206,406	139,090,000
Disposals during the year		(31,281,665)	(150,000,000)
Balance at end of year		22,124,741	37,200,000
Valuation Adjustments			
Balance at beginning of year		3,802,675	1,178,983
Additions/Effect of business combination during the year		20,427,615	-
Unrealized valuation gain (loss) on financial assets at FVPL for the year	<i>21</i>	(3,405,482)	2,623,692
Balance at end of year		20,824,808	3,802,675
	<i>30,31</i>	P40,325,856	P41,002,675

9. Prepaid Expenses and Other Current Assets

This account consists of:

	2013	2012
Input value added tax (VAT)	P1,253,476,297	P -
Prepaid expenses	355,250,194	2,223,481
Deferred input VAT	16,085,198	-
Creditable withholding tax	10,476,421	-
Advances to suppliers	29,444,641	-
Others	38,249,558	-
	P1,702,982,309	P2,223,481

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.

10. Available-for-sale Financial Assets and Investment in a Joint Venture

This account consists of:

	Note	2013	2012
AFS financial assets	<i>a</i>	P379,775,237	P -
Investment in a joint venture	<i>b</i>	60,000,000	-
		P439,775,237	P -

a. AFS Financial Assets

- On December 4, 2013, the Retail segment in relation to Entenso acquired 49.34% equity interest, without voting rights, of San Roque Supermarkets (SRS) for a total cost of P371,896,077. Of the total cost, P249,896,077 was paid in cash and P122,000,000 was paid by PPCI which was subsequently applied as deduction to the subscription receivable of Entenso. SRS is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

The Retail segment accounted its investment in SRS at cost due to the absence of its significant influence mentioned in paragraphs 5-6 of PAS 28, *Investments in Associate* as discussed in Note 2.

- AFS financial assets also include PLDT and Meralco preferred shares amounted to P7,879,160 acquired in connection with the installation of telephone lines and electrical systems for the different stores and offices of the Group.

The above AFS Financial assets are carried at cost since there are no observable market data on these related assets.

b. Investment in a Joint Venture

On July 8, 2013, the Retail segment in relation to Entenso entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores, to incorporate a new company 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. The joint venture is expected to start its operations in 2014. No subsequent transactions occurred after the date of its acquisition.

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 P60,000,000.

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.

11. Property and Equipment

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

Cost	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Transportation Equipment	Wells, platforms and other facilities	Storage tanks	Total
Balance, December 31, 2011	P -	P -	P1,934,365	P206,115	P -	P -	P4,976,754	P204,955,281	P -	P212,072,515
Additions	-	-	38,635	-	-	-	(1,036,895)	-	-	38,635
Disposals/Retirements	-	-	-	-	-	-	-	-	-	(1,036,895)
Balance, December 31, 2012	3,133,702,847	1,000,987,413	1,973,000	206,115	378,478,578	1,366,514,574	3,939,859	204,955,281	520,352,787	11,719,788,410
Additions/Effect of business combination	(2,313)	9,545,134	2,106,566,562	2,940,732,175	-	-	272,453,474	-	-	56,770,275
Transfer-in	446,413,051	112,948	28,783,723	18,443,731	-	(1,437,463,550)	(223,441)	-	-	(223,440)
Reclassifications	321,524,224	240,552,483	(546,902)	991,484,454	8,127,241	441,028,813	1,576,357	-	-	2,197,083,594
Additions	1,463	16,428,194	805,899,854	378,374,622	-	-	-	-	-	(1,101,122)
Adjustments	-	(17,545)	(17,555,499)	24,720	-	-	-	-	-	(2,307,138)
Disposals/Retirements	-	(17,545)	(2,289,593)	-	-	-	-	-	-	-
Balance, December 31, 2013	3,901,639,272	1,267,608,627	2,922,831,145	4,329,265,817	386,605,819	370,079,837	277,746,249	204,955,281	520,352,787	14,181,084,834
Accumulated Depreciation and Amortization	-	-	1,835,021	206,115	-	-	3,862,967	44,917,503	-	50,821,606
Balance, December 31, 2011	-	-	98,294	-	-	-	536,324	634,618	-	634,618
Depreciation and amortization	-	-	-	-	-	-	(760,390)	-	-	(760,390)
Disposals/Retirements	-	-	-	-	-	-	-	-	-	-
Balance, December 31, 2012	(2,313)	1,856,062	1,933,315	206,115	-	-	3,638,901	44,917,503	-	50,695,834
Transfer-in	2,311	4,183,280	6,372,105	8,768,792	-	-	-	-	-	16,994,646
Adjustments	78,082,428	78,908,670	(4,404,336)	(58,222)	-	-	-	-	-	(276,967)
Depreciation and amortization	-	(3,743)	330,937,920	115,126,656	-	-	19,456,052	-	12,410,458	634,922,184
Disposals /Retirements	-	-	(1,962,165)	-	-	-	-	-	-	(1,965,908)
Balance, December 31, 2013	78,082,426	84,944,269	876,839	124,043,341	-	-	23,094,953	44,917,503	12,410,458	700,369,78
Carrying Amount	-	-	-	-	-	-	-	-	-	-
December 31, 2012	P -	P -	P39,685	P -	P -	P -	P300,958	P160,037,778	P	160,378,421
December 31, 2013	P3,823,556,846	P1,182,664,357	P2,589,954,306	P4,205,222,476	P386,605,819	P370,079,837	P254,651,296	P160,037,778	P507,942,329	P13,480,715,044

No impairment loss was recognized in 2013 and 2012.

12. Investment Properties

This account consists of:

	Building	Land	Construction- in-progress	Total
Cost				
Additions/Effect of business combination	4,704,268,005	6,742,811,023	54,471,693	11,501,550,721
Reclassifications	938,253	(18,427,500)	(6,470,985)	(23,960,232)
Additions	39,753,238		212,807,322	252,560,560
Balance, December 31, 2013	4,744,959,496	6,724,383,523	260,808,030	11,730,151,049
Accumulated Depreciation and Amortization				
Depreciation and amortization/Effect of business combination	58,166,358	(23,432)		58,142,926
Balance, December 31, 2013	58,166,358	(23,432)		58,142,926
Carrying Amount				
December 31, 2012	-	-	-	-
December 31, 2013	P4,686,793,138	P6,724,406,955	P260,808,070	P11,672,008,123

13. Intangibles and Goodwill

This account consists of:

	Note	2013	2012
Goodwill	a	P13,191,340,917	P -
Trademark	b	3,709,660,547	-
Customer relationship	b	889,452,981	-
Computer software and licenses - net	c	136,713,077	-
Leasehold rights	c	73,720,297	-
		P18,000,887,819	P -

a. Goodwill

The goodwill represents the excess of the total acquisition cost over the fair value of the identifiable assets and liabilities assumed on the acquisition of the Retail business' subsidiary.

2012	Note	Cost
PJSI	1	P11,370,121
Kareila	2	12,079,473,835
Gant	3	742,340,804
2013		
Merger of PJSI and Gant to PPCI	4	4,142
Company E	5	358,152,015
		P13,191,340,917

Details are as follows:

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 the PPCI.

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 tangible 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 P4,599.11 million 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 (see Note 12.5.b).

The Group incurred acquisition-related cost of P3.83 million. This cost has been included as part of operating expenses in the consolidated statements of PPCI in the comprehensive income for the year ended December 31, 2012.

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 net assets of acquired and the liabilities assumed is attributable to goodwill amounting to P742.34 million.

The Group incurred acquisition-related cost of P0.19 million. This cost has been included as part of operating expenses in the consolidated statement of comprehensive income for the year ended December 31, 2012.

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 of stock amounting to P4,142.

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:

Acquisition cost	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 net assets of acquired and the liabilities assumed is attributable to goodwill amounting to P358.0 million.

The Group incurred acquisition-related cost of P0.19 million. This cost has been included as part of operating expenses in the consolidated statements of comprehensive income in 2013.

b. *Trademark and Customer Relationships*

The value of the trademark and customer relationship represents the purchase price of P16,477.73 (see Note 13), which 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. PPCI, 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 PPCI's filings and projections, actual industry precedents and industry common practice.

The recoverable amount of the trademark and customer relationship has been determined using cash flow projections covering a five-year period. It is based on a long range plans approved by management. Cash flows beyond the five-year period are extrapolated using a determined constant growth rate to arrive at its terminal value. The 10.66% growth rate used is consistent with the long-term average growth rate for the Retail business's industry. The discount rate applied to after tax cash flow projections is 9.71% as at December 31, 2013 and 2012.

Management assessed that there is no impairment in the value of trademark and customer relationship in 2013 and 2012.

c. Leasehold Rights and Computer Software and Licenses

On January 25, 2013, PPCI 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 PPCI 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 20 years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the PPCI 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	Leasehold Rights	Total
Cost			
Balance, January 1, 2012	P -	P -	P -
Additions	-	-	-
Balance, December 31, 2012	-	-	-
Additions	140,504,484	75,355,005	215,859,489
Adjustments	2,227,025	-	2,227,025
Balance, December 31, 2013	142,731,509	75,355,005	218,086,514
Accumulated Amortization			
Balance, January 1, 2012	-	-	-
Amortization	-	-	-
Balance, December 31, 2012	-	-	-
Amortization	5,197,809	1,634,708	6,832,517
Adjustments	820,623	-	820,623
Balance, December 31, 2013	6,018,432	1,634,708	7,653,140
Carrying Amount			
December 31, 2012	P -	P -	P -
December 31, 2013	P136,713,077	P73,720,297	P210,433,374

The adjustments resulted from the evaluation made by PPCI to its subsidiaries' property and equipment. The PPCI Group's assets were aligned with PPCI's asset recognition policy. Assets were either recorded into its proper classification or expensed if it did not meet the criteria of capitalization.

14. Deferred Oil and Mineral Exploration Costs

Deferred oil and mineral exploration costs at December 31 consist of:

	<i>Note</i>	Participating Interest	2013	2012
Oil exploration costs:				
SC 14	21			
Block C2 (West Linapacan)		1.53%	P53,595,432	P53,357,559
Block B1 (North Matinloc)		13.55%	746	-
Block D		5.84%	8,011,133	8,011,132
			61,607,311	61,368,691
SC 6A	21			
Opton Block		0.50%	16,560,191	16,747,071
North Block		1.57%	600,419	600,419
			17,160,610	17,347,490
SC 6B (Bonita)	21	2.11%	6,304,904	5,691,781
SC 51	21	9.32%	32,815,514	32,809,176
Other oil projects			527,310	527,310
			39,647,728	39,028,267
			118,415,649	117,744,448
Mineral exploration costs:				
Anoling gold project	21	3.00%	13,817,326	13,726,135
Gold projects		100.00%	12,891,933	12,422,047
Nickel project		100.00%	19,207,978	19,207,893
Cement project		100.00%	9,586,212	9,533,960
Other mineral projects			382,338	382,338
			55,885,787	55,272,373
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:				
Balance at beginning of year			(23,443,955)	(19,917,376)
Impairment losses for year			(32,648,397)	(3,526,579)
Balance at end of year			(56,092,352)	(23,443,955)
			(206,565)	31,828,418
Other deferred charges			620,099	584,926
			P118,829,183	P150,157,792

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.

Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, the Group 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 Group already received US\$800,000 (peso equivalent: P35,072,000) as proceeds on production of 65 million barrels.

The Group is still seeking the additional US\$200,000 (peso equivalent: P8,768,000) 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.

SC 6A (Octon ad 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, AGRC 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 of 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 Pitkin Petroleum. DOE has also approved the appointment of Pitkin 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. AGRC 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.

SC 6B (Bonita) - Offshore Northwest 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, AGRC 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 some terms and conditions.

In 2012, DOE has 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 canceling the farm-in agreement.

SC 51 - East Visayan Basin

The contract area is defined by two (2) separate blocks, namely (1) an onshore-offshore block over Northwest Leyte and (2) a deepwater block in the Cebu Strait. The Group together with other members of the SC 51 Consortium, assigned their collective 80% interest to NorAsia Energy Limited 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 Oil 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 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 Energy.

After SWAN's exit from the SC-51 contract area, Frontier Oil Corporation 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 Oil 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 very much higher.

Otto Energy 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 very much larger rig is being sought for the drilling Duhat 2 to avoid the debacle of Duhat 1/1A. So far two serious drilling outfits have heeded the call for rig by Otto.

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 for 25 years with an option to extend for another 25 years.

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

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

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

For the first half of 2012, the Group continued in preparations 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.

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 Group 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 Group 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 Group 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.

Operator, PHSAMED, with the assistance of AGRC, 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 the MPSA.

As 2012 ended, the Group received a formal notice from the project operator that they are no longer pursuing the project development program of Anoling Gold Mine. They did not specify their reasons for returning the project operatorship to the Group.

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

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 bogged down at the sala of the Mines Adjudication Board but Bernster has to pursue the approval themselves.

Exploration Permit Application No. 080 - Gold Project. Tinongdan Itoyon. Benguet

As at December 31, 2012, all field activities and IP negotiations are suspended. The Group 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, where it remained as at December 31, 2012.

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

Exploration Permit Application No. 009-2010-V - Copper Gold Project. Oas. Albay

The Exploration Permit Application EXPA-000072-V has been officially 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 Group signed a Mines Operating Agreement (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 Group and Bentley have completed the IEC campaign. Bentley advised that ground activities will commence on 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 Group and Barangay Maramba was signed and executed in compliance and fulfillment of the Group's commitments with the National Greening Program (NGP). Bentley, as project operator and in pursuance to the mines operating agreement with the Group, 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.

As 2012 ended, the implementation of signed NGP-MOA between the Group 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 Group submitted its application for the renewal of the exploration permit and awaits for the renewal of the exploration permit.

In 2013, the documents for the relinquishment of the tenements have been prepared. The EP 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 destroying the value of the project.

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 Group is currently preparing the budget for work programs and IEC presentations for approval by the AGRC Board.

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

MGB-6 now requires AGRC to secure Affidavit of Consents from the private landowners. AGRC is currently complying with the MGB guidelines.

As at December 31, 2012, the Group completed its documentary submissions with respect to its application for the renewal of the exploration permit. The Group 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 has been completed.

January 13, 2014 is the date that marked the start of Vale's takeover of the project Operation. The US\$20,000.00 cash consideration for 2014 was transmitted to Cosco's bank on January 23, 2014.

If the surface exploration activities confirmed the expected results, then Vale has the option to exercise immediately the purchase of the mineral rights from Cosco at the cost of US\$ 1 25M. They would still pay the US\$ 30K dollars 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.

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 Group submitted a letter of reconsideration and MGB-IVB granted a temporary reprieve in order for the Group to show seriousness in completing the application.

The Group submitted the same letter of reprieve to NCIP Region IV so the latter can facilitate the reactivation of the Group'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 2013, 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 Group to accept the previous cancellation and withdraw its appeal for reinstatement

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 Group received the Notice of Denial for further processing of its exploration permit application. With the currently invigorated anti-mining sentiments in Palawan, the Group has decided to forgo any appeal for reinstatement.

Management believes that total deferred oil and mineral exploration costs at December 31, 2012 and 2011 amounting to P150,157,792 and P153,882,280, respectively, are still recoverable upon resumption of production in the related project area or upon production of new reserves within the contract area. An impairment loss of P3,526,579 and P2,940,234 was recognized in 2012 and 2011, respectively, on the deferred mineral exploration costs for those identified mineral site areas where the Group intends to discontinue exploring based on its assessment that the expected costs to continue exploring may be too high in relation to the benefits it will earn.

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 Group to accept the cancellation notice without any qualms, after filing two motions for reconsideration.

15. Other Noncurrent Assets

This account as at December 31 consist of:

	<i>Note</i>	2013	2012
Security deposits	30, 31	P884,090,991	P -
Retirement benefit assets	25	-	2,144,266
Prepaid rent		291,504,455	234,692
Accrued rent income		20,062,609	-
Others		496,325	-
		P1,196,154,380	P2,658,958

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

16. Accounts Payable and Accrued Expenses

This account consists of:

	<i>Note</i>	2013	2012
Trade	30, 31	P7,743,335,583	P -
Non-trade	30, 31	2,108,514,988	-
Accrued expenses	30, 31	893,924,511	1,978,291
Dividends payable	30, 31	406,661,768	-
Withholding taxes payable		115,641,096	-
Statutory payables		65,173,927	283,568
Deferred rent income		19,963,684	-
Construction bonds	30, 31	4,267,853	-
Others		80,359,666	287,003
		P11,437,843,076	P2,548,862

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 30).

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.

Fixed asset acquisition pertains to amounts payable to Retail business's contractor of store establishments. It is bound by the terms of the contract and payables are due upon completion of certain work to be done.

17. Loans Payable

As at December 31, 2013 and 2012, 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:

	<i>Note</i>	2013	2012
Short-term note based on 2.5%	<i>i</i>	P403,500,000	P -
Short-term note based on 2.75%	<i>i</i>	300,000,000	-
Short-term note based on 3.75%	<i>ii</i>	508,500,000	-
		P1,212,000,000	P -

i. The Group issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate	Principal
December 2, 2013	January 2, 2014	2.50%	P75,000,000
December 4, 2013	January 3, 2014	2.50%	72,000,000
December 13, 2013	January 13, 2014	2.50%	163,500,000
December 20, 2013	January 20, 2014	2.50%	15,000,000
December 27, 2013	January 27, 2014	2.50%	78,000,000
December 20, 2013	January 20, 2014	2.75%	300,000,000
			P703,500,000

i. The Group have peso-denominated unsecured short-term loans from local banks with maturities of less than one (1) year and bear annual interest at an average rate of 2.5% to 2.75%. Interests on these loans are repriced every month. Principal and interests are payable upon maturity.

ii. The Group entered into an unsecured short-term loan amounting to P508,500,000 with a local bank. The principal amount is payable annually and its related interest is repriceable at 3.75% per annum.

b. Long-term Loans Payable

b.1 As at December 31, the outstanding loans are as follows:

	<i>Note</i>	2013	2012
Unsecured Peso Denominated			
Fixed rate note based on 3.5%	<i>i</i>	P1,991,219,294	P -
Fixed rate note based on 3.25%	<i>ii</i>	960,495,639	-
Fixed rate note based on 5.4481%	<i>iii</i>	-	-
Fixed rate note based on 5.8673%	<i>iii</i>	-	-
Fixed rate note based on 3.5%	<i>iv</i>	500,000,000	-
		P3,451,714,933	P -

- i. On June 13, 2013, the retail segment issued a P2 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 retail segment signed and executed a two (2) year promissory note amounting to P963.70 million. The debt bears a 3.25% interest rate per annum and shall be repaid in a single payment on April 15, 2015.
- iii. On October 22, 2012, the retail segment issued unsecured fixed rate corporate notes with the following terms:

Face Amount	Terms
P4 billion	5.4481% interest per annum for five years
P1 billion	5.8673% interest per annum for seven years

Both are payable at 1% of principal amount at the end of each year before maturity date, with the balance to be paid on maturity. The proceeds were used to finance the Group's expansion and other general corporate requirements. On April 23, 2013, the Group pre-terminated its loans.

The movements in debt issue costs are as follows:

	2013	2012
Balance at beginning of the year	P47,788,638	P -
Additions	14,818,500	49,386,148
Amortizations	(5,464,629)	(1,597,510)
Deductions	(45,157,442)	-
Balance at end of year	P11,985,067	P47,788,638

- iv. The retail segment signed and executed a P500,000,000 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.

Interest expense from these loans amounting to P198.9 million were capitalized in 2013 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 P26.46 million.

Repayment Schedule

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

Year	2013	2012
2013	P -	P50,000,000
2014	-	50,000,000
2015	963,700,000	50,000,000
2016	-	50,000,000
2017	-	3,850,000,000
2018	2,500,000,000	510,000,000
2019	-	940,000,000
	P3,463,700,000	P5,500,000,000

The term of the notes provide for certain debt covenants relating to maintenance of certain financial ratios, working capital requirements, restrictions on guarantees and payment of dividends. As at December 31, 2013, the Group has complied with all debt covenants. The related loans pertaining to these covenants were pre-terminated in 2013.

There are no debt covenants for new loans entered into by the Group in 2013.

18. Other Current Liabilities

This account as at December 31 consists of:

	Note	2013	2012
Deposits	30, 31	P226,792,416	P -
Promotion fund		53,479,841	-
Exclusive fund		49,885,294	-
Unredeemed gift certificates		48,435,500	-
Output VAT		27,657,649	-
Others	30, 31	7,644,107	-
		P413,894,807	P -

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.

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.

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

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

19. Cost of Sales and Services

This account for the year ended December 31 consists of:

Cost of sales

	<i>Note</i>	2013	2012	2011
Beginning inventory		P -	P -	P -
Add: Purchases/ Effect of business combination		48,835,478,491	-	-
Transfer-in		-	-	-
Total goods available for sale		48,835,478,491	-	-
Less ending inventory		9,714,412,492	-	-
		P39,121,065,999	P -	P -

Cost of services

	<i>Note</i>	2013	2012	2011
Utilities		P100,323,277	P -	P -
Depreciation		97,576,194	-	-
Taxes and licenses		41,357,453	-	-
Security services		27,979,985	-	-
Janitorial services		18,965,731	-	-
Rentals		18,098,479	-	-
Management fees		10,473,110	-	-
Salaries and wages		3,844,649	-	-
Repairs and maintenance		1,755,703	-	-
Operator services		428,314	-	-
		P320,802,895	P -	P -

20. 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 15).

Rent income recognized in profit or loss for the years 2013, 2012 and 2011 amounted P157.5 million, nil and nil, respectively (see Note 21).

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

	2013	2012	2011
Due within one year	P1,492,565,001	P924,269	P924,264
Due more than one year but not more than five years	6,443,961,725	192,556	1,116,825
Due more than five years	30,017,933,854	-	-
	P37,954,460,580	P1,116,825	P2,041,089

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 16).

Rent income recognized in profit or loss for the years 2013, 2012 and 2011 amounted P157.4 million, nil and nil, respectively (see Note 21).

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

	2013	2012	2011
Due within one year	P1,109,375,385	P -	P -
Due more than one year but not more than five years	1,946,559,536	-	-
Due more than five years	8,535,064,630	-	-
	P11,590,999,551	P -	P -

21. Other Operating Income

This account for the years ended December 31 consists of:

	<i>Note</i>	2013	2012	2011
Concession income		P779,004,895	P -	P -
Display allowance		280,158,511	-	-
Rent income	20	157,462,410	-	-
Miscellaneous		183,225,365	29,014,341	30,749,167
		P1,399,851,181	P29,014,341	P30,749,167

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.

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

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials and others.

22. Operating Expenses

This account for the years ended December 31 consists of:

	<i>Note</i>	2013	2012	2011
Manpower- agency		P910,921,866	P -	P -
Communication, light and water		853,950,071	214,272	245,205
Rent	20	803,067,020	924,888	869,087
Salaries and wages		626,781,925	-	-
Depreciation and amortization	11, 12	602,174,115	487,529	666,738
Outside services		594,552,298	-	-
Concession expense		283,094,774	-	-
Taxes and licenses		220,051,095	229,760	232,785
Store and office supplies		195,409,523	-	-
Repairs and maintenance		134,309,263	268,589	269,917
Advertising and marketing		129,756,307	-	-
Insurance		72,951,724	-	-
Retirement benefits cost	25	52,152,980	-	-
Disallowed input vat		45,229,570	-	-
SSS/Medicare and HDMF contributions		42,790,514	-	-
Representation and entertainment		33,603,823	109,553	135,797
Provision for unrecoverable deferred mineral exploration costs		32,648,397	3,526,579	2,940,234
Transportation		32,254,694	3,503,738	3,673,758
Fuel and oil		25,941,994	-	-
Royalty expense		18,413,860	-	-
Membership fees		12,595,700	311,560	281,100
Donations and contributions		4,979,020	-	-
Oil exploration		2,549,869	1,428,763	4,092,155
Staff costs		-	7,597,961	7,457,654
Professional fee		-	2,582,623	2,594,231
Others		100,313,896	1,179,042	881,367
		P5,830,494,297	P22,364,857	P24,340,028

23. Others

This account for the years ended December 31 consists of:

	<i>Note</i>	2013	2012
Unrealized FMV on Equity Inv	8	(P8,799,483)	P -
Dividend income		313,961	-
Gain on disposal of property and equipment	11	509,540	-
Foreign exchange loss		(847,376)	-
Others		3,549,383	-
		(P5,273,975)	P -

24. 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	Outstanding Balances		Terms	Conditions
				Due to Related Parties	Due to Related Parties		
Other Related Parties*							
Concession expense	2013	<i>a</i>	440,291,377	23,550,996		Due and demandable	Unsecured
	2012		-	-			
Key Management Personnel							
Royalty expense	2013	<i>b</i>	29,479,140	24,625,864		Due and demandable	Unsecured
	2012		-	-			
Short-term benefits	2013		83,311,531	276,461			
	2012		48,449,959	-			
Post-employment benefits	2013		6,384,368	276,461			
	2012		3,416,937	-			
Total	2013		P469,770,517	P48,453,321			
Total	2012		-	-			

The Group, in the normal course of business, has transactions with its related parties as follows:

a. 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 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.

b. 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.

25. 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 defined benefit liability recognized under “Retirement benefits liability” and its components.

	2013	2012
Balance at January 1	P267,814,822	P153,438,340
Included in profit or loss		
Current service cost	55,248,857	37,712,781
Interest cost	14,635,590	15,439,525
	337,699,269	206,590,646
Included in other comprehensive income		
Remeasurements loss (gain):		
Actuarial loss (gain) arising from:		
Financial assumptions	(75,942,734)	56,028,040
Experience adjustment	24,909,744	5,196,136
	(51,032,990)	61,224,176
Balance at December 31	P286,666,279	P267,814,822

The amount of retirement benefits cost recognized in profit or loss in December 31 consist of:

	2013	2012
Current service cost	P55,248,857	P37,712,781
Interest expense on the defined benefit liability	14,635,590	15,439,525
	P69,884,447	P53,152,306

The actuarial losses, before deferred income taxes recognized in other comprehensive income are as follows:

	2013	2012 (As restated - Note 30)
Cumulative actuarial loss at beginning of year	P47,238,616	P11,608,897
Actuarial loss (gain) due to increase in defined benefit obligation	(43,637,916)	35,629,719
Cumulative actuarial loss (gain) at end of year	P3,600,700	P47,238,616

The cumulative actuarial loss, net of deferred income taxes, amounted to 43,637,916 and nil as at December 31, 2013 and 2012, respectively, as presented in the consolidated statements of changes in equity.

The following were the principal actuarial assumptions at the reporting date:

	2013	2012
Discount rate	5.32%	5.62%
Future salary increases	8.00%	10.00%

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)	(P56,359,308)	P73,210,320
Future salary increase rate (1% movement)	66,690,623	(53,141,601)

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:

	2013				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P286,666,279	P53,279,588	P9,685,379	P12,740,105	P30,854,104

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 2014.

26. Income Taxes

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:

	2013	2012	2011
Income before income tax			
Income tax expense at the statutory income tax rate:			
30%	P1,516,142,958	P3,236,781	P3,665,916
5%	4,120,060	-	-
Income tax effects of:			
Non-deductible interest expense	7,266,181	-	-
Non-deductible other expenses	854,553	-	-
Nondeductible expense	125,767,036	8,758	40,739
Non-taxable income-net subjected to final tax	-	(4,908,757)	(4,553,823)
Dividend income subjected to final tax	(274,254,372)	(392,123)	(895,492)
Expired NOLCO	-	-	1,164,358
Expired MCIT	616,771	799,045	154,611
Recognition of unrecognized DTA	735,141	-	-
Interest income subjected to final tax	(53,449,474)	-	-
Changes in unrecognized DTA	23,348,260	1,275,594	1,657,158
	P1,351,147,114	P19,298	P1,233,467

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:

	2013	2012
	DTA (DTL)	DTA (DTL)
Accrued rent expense*	P477,899,454	P -
Retirement benefits liability	76,779,889	-
Deferred rent income	30,719,188	-
Actuarial losses	9,219,994	-
NOLCO	17,346,595	-
MCIT	327,358	-
Allowance for impairment losses on receivables	8,777,411	2,933,552
Unrealized foreign exchange loss	1,145,991	180,567
Discounting of customers deposit	23,788,986	-
Recognition of DTA	116,919	-
Unamortized past service cost		2,604,485
DTA	646,121,785	5,718,604
Fair value of intangible assets from business combination	(1,379,734,058)	-
Accrued rent income	(152,295,601)	-
Prepaid rent	(6,300,000)	-
Unrealized foreign exchange loss	-	-
Discounting of customers deposit	(1,356,468)	-
Retirement benefit asset		(643,280)
DTL	(P1,532,029,659)	(P643,280)
Net	(P885,907,874)	P5,075,324

*Excluding accrued rent expense of PPCI Subic which is subject to SBMA tax rules

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.

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	P8,147,682	P1,582,020	P6,412,212	2014
2012	131,364,040	121,089,332	10,274,708	2015
2013	10,328,393	-	10,328,393	2016
	P149,840,115	P122,671,352	P27,015,313	

The Group's MCIT as at December 31, 2013 amounted to P327,358 which is available for offsetting against future taxable income. This will expire in 2016.

27. Capital Stock

The details of Parent Company's authorized, issued and outstanding capital stocks are as follows:

<u>Amount</u>	<u>Note</u>	<u>2013</u>	<u>2012</u>
Authorized	<i>1</i>	P10,000,000,000	P3,000,000,000
Issued and outstanding:			
Balance at beginning of year		P1,275,000,000	P697,140,569
Stock issuances during the period	<i>1</i>	6,130,263,564	577,859,431
Balance at end of year		P7,405,263,564	P1,275,000,000

<u>Number of shares</u>	<u>Note</u>	<u>2013</u>	<u>2012</u>
Authorized – (2013 – P1 par value, 2012 – P0.01 par value)	<i>1</i>	10,000,000,000	300,000,000,000
Issued and outstanding			
Balance at beginning of year		1,275,000,000	69,714,056,900
Stock issuances during the period	<i>1</i>	6,130,263,564	57,785,943,100
Balance at end of year		7,405,263,564	127,500,000,000

28. 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
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
Oil storage	Includes buying and selling of petroleum products
Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

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

Information regarding the Group's reportable segments is presented 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	
	2013	2012	2013	2012
Retail	P46,024,322,583	P -	P2,548,282,734	P -
Real estate	980,990,037	-	383,369,519	-
Liquor distribution	2,454,107,888	-	393,821,390	-
Holding, oil storage and mining	584,427,845	3,423,171	476,363,042	-
Total	50,043,848,353	3,423,171	P3,801,836,685	-
Eliminations	1,453,291,865	-		
	P48,590,556,488	P3,423,171		

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

	2013	2012
Retail		
From external customers	46,024,322,583	P -
From intersegment sales	-	-
	46,024,322,583	-
Real estate		
From external customers	580,271,253	-
From intersegment sales	400,718,785	-
	980,990,038	-
Liquor distribution		
From external customers	1,824,569,366	-
From inter-segment sales	629,312,924	-
	2,453,882,290	-
Holding, oil storage and mining		
From external customers	161,167,688	3,423,171
From inter-segment sales	423,260,156	-
	584,427,844	3,423,171
Total revenue from external customers	P48,590,330,890	P3,423,171
Total intersegment sales	P1,453,291,865	P -

No single customer contributed 10% or more to the Group's revenue for the periods ended December 31, 2013 and 2012.

Segment Assets and Liabilities

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

	December 31, 2013	December 31, 2012
Segment Assets		
Retail	P49,625,644,062	P -
Real estate	16,845,555,757	-
Liquor	2,488,629,137	-
Holding, oil storage and mining	89,063,042,282	1,378,819,017
Total segment assets	158,022,871,238	1,378,819,017
Intercompany assets	82,900,575,075	-
Total assets	P75,122,296,163	P1,378,819,017
Segment Liabilities		
Retail	P19,039,344,061	P -
Real estate	5,722,409,033	-
Liquor	972,982,017	-
Holding, oil storage and mining	368,136,987	2,992,333
Total segment liabilities	26,102,872,098	2,992,333
Intercompany liabilities	5,811,396,920	-
Total liabilities	P20,291,475,178	P2,992,333

29. Basic/Diluted EPS Computation

Basic/Diluted EPS is computed as follows:

	2013	2012	2011
Net income (a)	P2,482,546,970	P10,769,973	P10,986,254
Weighted average number of ordinary shares (b)	4,708,542,190	74,694,094,277	127,399,240,013
Basic/diluted EPS (a/b)	P0.527243225	P0.0001442	P0.0000862

As at December 31, 2013, 2012 and 2011, the Group has no dilutive debt or equity instruments.

30. 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 Group's principal financial instruments include cash and cash equivalents and investments in trading securities. These financial instruments are used to fund the Group's operations and capital expenditures.

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.

	<i>Note</i>	2013	2012
Cash in banks and cash equivalents	4	P14,024,048,097	P998,695,331
Short-term investments	5	500,000	-
Receivables – net	6	2,818,808,266	18,616,967
AFS- current	8	40,325,856	41,002,675
AFS- noncurrent*	10	379,775,237	-
Security deposits**	13	884,090,991	-
		P18,147,548,447	P1,058,314,973

*Included under investments

**Included under noncurrent assets.

The following is the aging analysis per class of financial assets as at December 31:

	December 31, 2013					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	P14,024,048,097	P -	P -	P -	P -	P14,024,048,097
Short-term investments	500,000,000	-	-	-	-	500,000,000
Receivables – net	1,585,461,228	331,537,784	483,954,238	417,855,016	17,240,832	2,836,049,098
Investments in trading securities	40,325,856	-	-	-	-	40,325,856
AFS financial assets	379,775,237	-	-	-	-	379,775,237
Security deposits	1,040,229,183	-	-	-	-	1,040,229,183
	P17,569,839,601	P331,537,784	P483,954,238	P417,855,016	P17,240,832	P18,820,427,471

	December 31, 2012					Total
	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in banks and cash equivalents	P998,705,399	P -	P -	P -	P -	P998,705,399
Investments in trading securities	-	-	-	-	-	-
Receivables – net	2,038,343	-	-	16,578,624	9,778,505	28,395,472
AFS financial assets	41,002,675	-	-	-	-	41,002,675
Security deposits	-	-	-	-	-	-
	P1,041,746,417	P -	P -	P16,578,624	P9,778,505	P1,027,100,871

The Group has assessed the credit quality of the following financial assets that are neither past due nor impaired as high grade:

- Cash in bank and cash equivalents were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low probability of insolvency and can be withdrawn anytime. The credit risk for investment in trading securities and AFS financial assets 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.
- 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.
- Due from related parties and security deposits were assessed as high grade since these have a high probability 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, 2013					
	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*	P11,257,028,053	P11,257,028,053	P11,257,028,053	P -	P -
Short-term loans payable	1,212,000,000	1,326,541,767	1,326,541,767	-	-
Trust receipts payable	16,543,219	16,543,219	16,543,219	-	-
Due to related parties	79,363,007	79,363,007	79,363,007	-	-
Long-term debt including current portion	3,451,714,933	3,463,700,000	500,000,000	2,963,700,000	0
Other current liabilities**	413,894,807	413,894,807	413,894,807	-	-
Noncurrent accrued rent	1,599,368,798	1,599,368,798	69,318,049	103,749,302	1,426,301,447
	P18,029,912,817	P18,156,439,651	P16,126,388,902	P603,749,302	P1,426,301,447

*excluding statutory payables to the government

**excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities of Kareila

As at December 31, 2012					
	Carrying Amount	Contractual Cash Flow	1 Year or Less	More than 1 Year - 5 Years	More than 5 Years
Financial Liability	-	-	-	-	-
Accounts payable and accrued expenses*	P2,265,294	P2,265,294	P -	P -	P -

*excluding statutory payables to the government

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 rate are not subject to interest rate risk.

The interest rate profile of the Group's interest-bearing financial instruments is as follows:

	2013	2012
Financial assets (cash deposits):		
Cash in banks	P2,349,103,633	8,113,747
Money market placement	11,674,944,464	990,581,584
Restricted cash and cash equivalents	-	-
	P14,024,048,097	P998,695,331

Sensitivity Analysis

A 2% increase in interest rates would have decreased equity and net income by P6.41 million, P12 million and P5.52 million, for the years ended December 31, 2013, 2012 and 2011, respectively. A 2% decrease in interest rates would have had the equal but opposite effect, on the basis that all other variables remain constant.

Other Market Price Risk

The Group's market price risk arises from its investments carried at fair value (FVPL and AFS financial assets). The Group manages its risk arising from changes in market price by monitoring the changes in the market price of the investments.

Foreign Currency Risk

The Group's foreign currency risk at December 31, 2013 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at December 31, 2013 and 2012 follow:

	US Dollar	Exchange Rate	PHP Equivalent
2013			
US Dollar	\$48,240	44.4	P2,141,856
2012			
US Dollar	133,338	41.05	5,473,525

Sensitivity Analysis

A 2% strengthening of the Philippine peso against US dollar would have increased profit or loss after tax and equity by P29,986 and by P76,629 as at December 31, 2013 and 2012, respectively.

A 2% weakening of the Philippine peso against US dollar would have decreased would have had the equal but opposite effect, on the basis that all other variables remain 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 (APIC), remeasurements and retained earnings.

There were no changes in the Group's approach to capital management during the year.

As at December 31, 2013 and 2012, the Group is compliant with the minimum public float requirements of the PSE.

31. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2013 and 2012.

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 and Security Deposits

The carrying amounts of cash and cash equivalents, short-term investments and receivables approximate fair value 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 and derivative instruments linked to unquoted stock 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, due to related parties, and trust receipts payable approximate 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. Effective rates used in 2013 and 2012 range from 3.50% to 3.61% and 5.69% and 6.05%, respectively.

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, 2013 and 2012, the Group's investment in trading securities were measured based on Level 1 classification and available for sale securities were measured based on Level 3 classification.

As at December 31, 2013 and 2012, the Group has no financial instruments valued based on Level 1 and has not introduced any movement among Levels 1, 2 and 3 classifications.

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

As at December 31, 2013 and December 31, 2012

<i>(In Thousands)</i>	2013	2012
A S S E T S		
Current Assets		
Cash and cash equivalents	14,744,150	10,701,414
Receivables - net	2,818,808	3,370,894
Investment in trading securities	40,326	85,518
Short-term investments	500,000	
Inventories	10,354,718	7,100,358
Prepaid expenses and other current assets	1,702,982	1,428,435
	30,160,985	22,686,618
NONCURRENT ASSETS		
Noncurrent Assets		
Property and equipment - net	13,480,715	10,527,097
Investment properties - net	11,672,008	11,750,468
Intangible assets	18,000,888	17,432,365
AFS financial assets and Investment in a joint venture	439,775	
Deferred oil and mineral exploration costs	118,829	150,158
Deferred tax assets - net	52,942	39,915
Others	1,196,154	1,184,082
	44,961,312	41,084,085
TOTAL ASSETS	75,122,296	63,770,703
LIABILITIES AND EQUITY		
L I A B I L I T I E S		
Current Liabilities		
Accounts payable, accrued expenses and other liabilities	11,851,738	10,582,518
Income tax payable	734,940	500,238
Loans payable and current portion of long-term debts	1,212,000	4,669,535
Trust receipts payable	16,543	8,130
Advances from related parties	172,772	1,780,947
	13,987,993	17,541,368

Noncurrent Liabilities		
Retirement benefits liability	293,041	163,539
Deferred tax liabilities	938,850	1,059,364
Long term debts - net of current portion	3,451,715	4,909,071
Others	1,619,876	1,309,099
	6,303,482	7,441,073
Total Liabilities	20,291,475	24,982,442
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY		
Equity	7,160,506	5,977,778
Capital stock	9,634,644	23,625
Additional paid-in capital	-2,520	
Reserve for retirement plan - net of tax	4,565	2,624
Cumulative unrealized gain on AFS financial assets	23,039,954	19,307,339
Retained earnings		
Total Equity Attributable to Equity Holders of Parent Company	39,837,149	25,311,365
Non-controlling interest	14,993,672	13,476,896
	54,830,821	38,788,261
TOTAL LIABILITIES AND EQUITY	75,122,296	63,770,703

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

For the Year Ended December 31, 2013 and 2012

<i>(In Thousands)</i>	2013	2012
REVENUES	77,180,128	60,679,722
COST OF SALES	63,137,132	50,490,172
GROSS PROFIT	14,042,996	10,189,550
OTHER OPERATING INCOME	2,215,855	1,667,030
	16,258,851	11,856,580
OPERATING EXPENSES	9,641,016	7,540,736
INCOME FROM OPERATIONS	6,617,835	4,315,844
OTHER INCOME (CHARGES) - net	732,789	-175,843
INCOME BEFORE INCOME TAX	7,350,624	4,140,001
INCOME TAX EXPENSE	2,078,143	1,283,002
NET INCOME FOR THE YEAR	5,272,480	2,856,998
Net Income Attributable to:		
Equity holders of the Parent Company	3,332,444	1,525,404
Non-controlling interests	1,940,036	1,331,594

COSCO CAPITAL, INC.
(Formerly Alcorn Gold Resources Corporation)
Segment Information

	Holding ,					Total
	Retail	Real Estate	Liquor Distribution	Oil and Mining	Elimination	
<i>(In thousands)</i>						
For the Year Ended December 31, 2013						
Revenue	73,177,209	1,771,381	3,564,971	672,745	-1,453,292	77,180,128
Income from operations	5,453,948	853,674	731,413	542,899	-423,260	6,605,789
Net income for the year	3,959,257	650,122	538,185	548,176	-53,452	5,272,480
PATMI	2,019,221	650,122	538,185	548,176	-53,452	3,332,444
As at December 31, 2013						
Total current assets	17,505,064	2,790,388	2,473,482	13,035,851	-5,655,259	30,149,526
Total non-current assets	32,120,580	14,055,168	15,147	76,027,191	-77,245,316	44,972,770
Total current liabilities	12,882,096	5,434,658	966,607	359,891	-5,655,259	13,987,993
Total non-current liabilities	6,157,248	287,751	6,375	8,246	-156,138	6,303,482
For the Year Ended December 31, 2012						
Revenue	57,466,507	920,006	2,650,850	21,140	-378,782	60,679,722
Income from operations	3,845,723	285,425	164,235	20,461	-23,625	4,315,844
Net income (loss) for the year	2,717,539	-39,871	192,328	10,627	-23,625	2,856,998
PATMI	1,385,945	-39,871	192,328	10,627	-23,625	1,525,404
As at December 31, 2012						
Total current assets	17,383,023	2,995,467	1,717,450	1,384,084	-802,974	22,677,049
Total non-current assets	28,061,252	16,000,375	18,464	939,502	-3,925,939	41,093,654
Total current liabilities	10,776,845	8,852,615	763,309	402,674	-3,254,074	17,541,368
Total non-current liabilities	7,163,561	253,813	6,392	32,100	-14,793	7,441,073

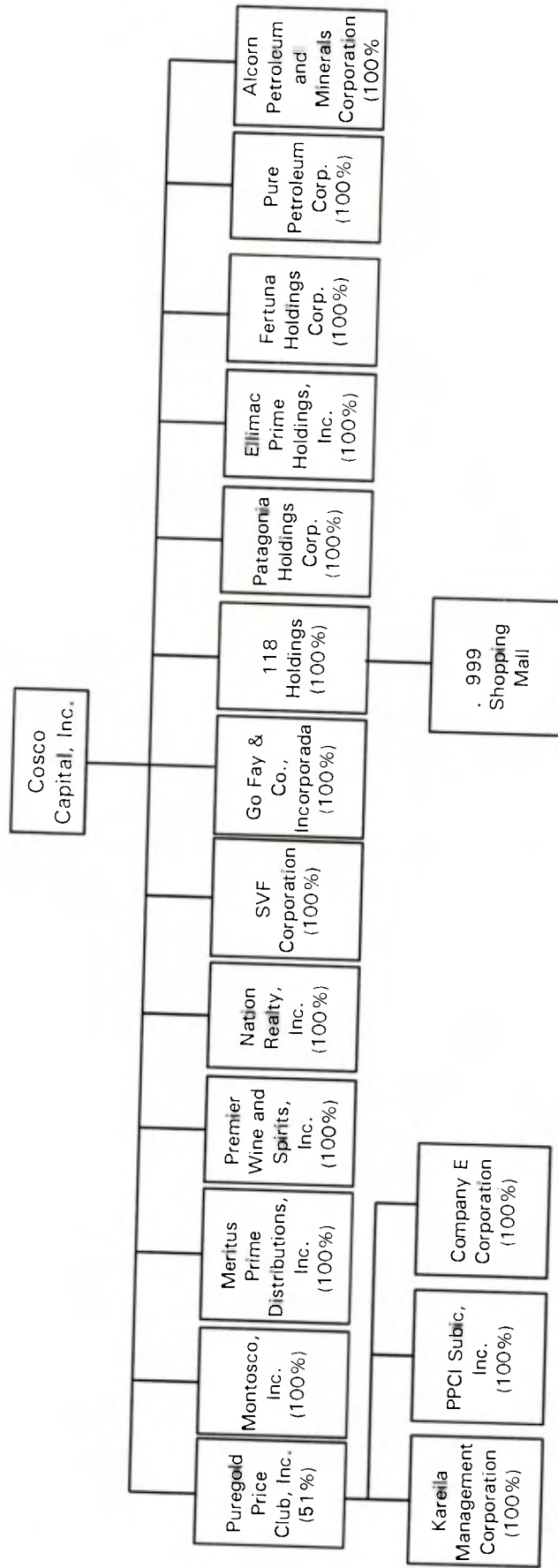
SECTION C

SCHEDULES

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE A – Investment in Trading Securities and Available-for-sale Financial Assets
December 31, 2013

Name of Issuing Entity and Association of each Issue	Number of Shares	Amount Shown in the Statement of Financial Position	Value Based on Market Quotation at Balance Sheet Date	Income Received and Accrued
Available-for-sale Financial Assets				
Ayala Land Inc.	199	P 4,905	P 4,905	(270)
JG Summit Holdings	88,000	3,432,000	3,432,000	44,000
Aboitiz	7,800	415,740	415,740	6,240
Petron Preferred Shares	40,000	4,230,835	4,230,835	
Puregold Properties		1,687,500	1,687,500	
	135,999	9,770,980	9,770,980	49,970
Investment in Trading Securities				
Aboitiz Power	280,000	9,520,000	9,520,000	603,138
Banco De Oro	96,133	6,594,724	6,594,724	173,039
GMA PDR	50,000	402,500	402,500	12,421
Metrobank	55,232	4,172,778	4,172,778	55,232
Natl Reinsurance Co Of The Phil	200,000	272,000	272,000	4,000
Phillex Mining Corp.	100,000	792,000	792,000	
Phillex Petroleum Corporation	12,500	97,125	97,125	
PNB	20,000	1,725,000	1,725,000	
RCBC	124,500	5,291,250	5,291,250	124,500
	938,365	28,867,376	28,867,376	972,331

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE B – Map of Companies Showing the Relationships Between and Among Other Companies
December 31, 2013



COSCO CAPITAL, INC. AND SUBSIDIARIES

SCHEDULE C -- Capital Stock

December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held by Related Parties	Directors, Officers and Employees	Others
Common Stock	10,000,000,000	7,160,506,037		244,757,527	4,073,284,922	

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE D - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Related Parties)
December 31, 2013

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-current	Balance at End of Period
	P -	P	P -	None	P -	P -	P -

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE E – Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2013

Name and Designation of Debtor	Balance at Beg. of Period	Additions	Amounts Collected	Amounts Written-off	Current	Non-current	Balance at End of Period
Puregold price club, Inc.	P 1,421,536		P 616,105		P 616,105		P 805,431
Ellimac Prime Holdings, Inc.		2,839,513			2,839,513		2,839,513
Patagonia Holdings, Corporation		917,808			917,808		917,808
Fertuna Holdings, Corporation		104,441			104,441		104,441
118 Holdings, Inc.		45,154			45,154		45,154
Nation Realty		929,449			929,449		929,449
999 Shopping Mall		8,018			8,018		8,018
Go Fay		1,315			1,315		1,315
Alcorn Petroleum Mining, Corp.		4,130			4,130		4,130
	P	P 6,271,364	P 616,105		P 5,465,932		P 5,655,259

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE F – Intangibles
December 31, 2013

Description	Beginning Balance	Additions at Cost	Charged to		Disposals	Other Charges Additions (Deductions)	Ending Balance
			Cost and Expenses	Expenses			
Goodwill	P -	P 13,191,340,917	P -	P -	P -	P -	P 13,191,340,917
Trademark	-	3,709,660,547	-	-	-	-	3,709,660,547
Customer relationship Computer software and licenses - net	-	889,452,981	-	-	-	-	889,452,981
Leasehold rights	-	136,713,077	-	-	-	-	136,713,077
	-	73,720,297	-	-	-	-	73,720,297
	-	18,000,887,819	-	-	-	-	18,000,887,819

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE G – Long-term Debts
December 31, 2013

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Current Portion of Long-term Debt" in Balance Sheet	Amount Shown under Caption "Long-term Debt" in Balance Sheet
Loans payable	P	P 1,212,000,000	P 3,451,714,933

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE H – Retained Earnings Reconciliation
December 31, 2013

Items	Amount
Unappropriated Retained Earnings, beginning	87,433,019
Adjustments: <i>(see adjustments in previous year's Reconciliation)</i>	
	10,769,973
Unappropriated Retained Earnings, as adjusted, beginning	98,202,992
Net Income based on the face of AFS	453,046,796
Less: Non-actual/unrealized income net of tax	
• Equity in net income of associate/joint venture	
• Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents) Unrealized actuarial gain	
• Fair value adjustment (M2M gains)	
• Fair value adjustment of Investment Property resulting to gain	
Adjustment due to deviation from PFRS/GAAP-gain	
• Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	
Add: Non-actual losses	
• Depreciation on revaluation increment (after tax)	
• Adjustment due to deviation from PFRS/GAAP – loss	
Loss on fair value adjustment of investment property (after tax)	
Net Income Actual/Realized	
Unappropriated Retained Earnings, as adjusted, ending	551,249,788

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE I - KEY PERFORMANCE INDICATORS
December 31, 2013, 2012 and 2011

Performance Indicators	2013	2012	2011
Return on investment	10.32%	0.93%	1.22%
Profit margin	6.92%	32%	30%
EBITDA to interest expense	315.74:1	N/A	N/A
Current ratio	2.16:1	354:1	234:1
Asset turnover	1.09	.03:1	0.04:1
Asset to equity	1.37:1	1:1	1:1
Debt to equity ratio	0.08:1	Debt free	Debt free

COSCO CAPITAL, INC. AND SUBSIDIARIES
SCHEDULE H – List of all effective Standards and Interpretations under the Philippine
Financial Reporting Standards (PFRS)
December 31, 2013