cosco capital
incorporated

Shooting Up: Continuing Success and Growth

2014 ANNUAL REPORT

ANNUAL REPORT 2014

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ABOUT THE COVER

Cosco Capital, Inc. is constantly on the go, seeking new areas for business and growth. This growth takes the company further upward and continually fuels its success.

Like an arrow, Cosco has trajectory and motion.

But arrows are not meant to fly off in random directions. They are meant to hit a target, piercing through rough winds determined to take it off course and plunging down to earth.

The arrow iconography symbolizes Cosco's wide array of business interests and their nonstop skyward trajectory as they grew these interests throughout the year. Each company under Cosco's wing is strong enough to build its own momentum to carry it through the ever changing business atmosphere. Each company has enough focus and skill to accurately hit the kind of targets easily obscured by clouds of risk and indecision.

In 2014, Cosco Capital, Inc. took aim and made its arrows fly, hitting all its marks convincingly and exceedingly well.

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Message From the Chairman

"Our successes in 2014 and wider range of targets we hit convincingly show us the way to reach greater heights in years to come."

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

Message From the President

2014 was a high flying year in the life of Cosco Capital, Inc. We shot many arrows into the air and hit as many targets, convincingly and exceedingly.

Double-digit growth from all segments, a solid increase in consolidated revenue and income – these are numbers to make us all proud.

But the great story of 2014 is our expansion, our constant aim to reach higher and wider than ever before. And indeed, we achieved all of this.

But what made our arrows fly so high and hit with great precision? Two things come to mind easily: a great bow and superb marksmanship all around.

The bow, of course, is our company itself. We're still reaping the benefits of our overall reorganization and restructuring from 2013. Our transformation from Alcorn Gold Resources Corporation into Cosco Capital, Inc. proves that shooting all our arrows from one stronger, mightier bow not only concentrated our strength but allowed our efforts to hit targets much higher than we've ever set before.

It also brings into focus our expert marksmanship, honed from years of skillful decision-making, the careful study of dynamic market forces, visionary leadership and dedicated teamwork.

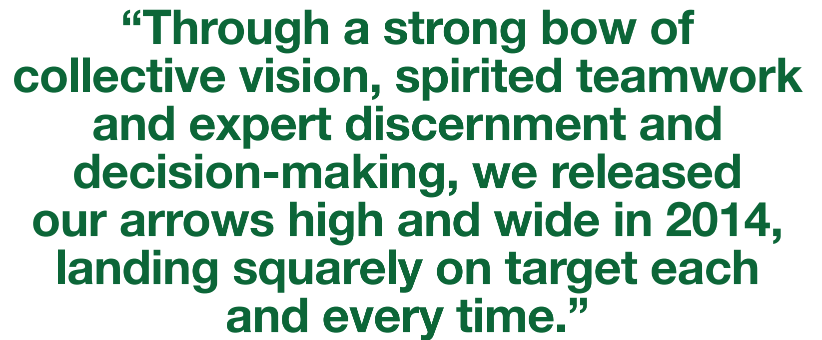
This was evident right at the start of the year, as we set our sights on expanding our retail, real estate, specialty retail and spirits businesses – our mainstays.

Doubling our capital expenditure allowed us to aim much farther, with a huge percentage of capex for acquisitions alone.

For retail, we set out to hit a wide array of market segments, from our retail stores and supermarkets catering to communities, to our hypermarkets that target the middle class, to membership shopping for our high-end users. The rise of new stores and continuously strong customer traffic, coupled with our wide reach across markets has made us the leading hypermarket and grocery retailer in the country.

Puregold Price Club, Inc. was our major player. At year's end, we have 233 Puregold stores and 9 S&R stores.

For 2015 and well into 2019, our retail expansion will continue, increasing our store network by 50% over the next 5 years. In March, we completed the acquisition of NE Pacific Shopping Centers, Corp. the largest mall operator in Cabanatuan City, Nueva Ecija. In fact, in Nueva Ecija, we acquired 9 supermarkets and 5 commercial properties. Similar community malls will also be built in Laguna and Pangasinan.



The provinces and outskirts of Metro Manila are proving to be a very profitable target for us to hit as prime markets for goods and services. A second Cosco community mall is set to rise in Marikina in the first quarter of 2015, after the inaugural branch in Nueva Ecija.

Another target that we hit was the retail segment of convenience stores, made through our joint venture with Japan’s Lawson Asia Pacific, Inc. The Puregold (PG) Lawson partnership will see us building a total of 500 stores over the next 5 years.

In addition to our retail businesses, real estate also played a major part in achieving our targets for the year. Ellimac Prime Holdings, Inc.,Fertuna Holdings Corp. 118 Holdings, Inc., Nation Realty, Inc., and Patagonia Holdings Corp. all posted profit hikes in our rent-based income due to high-occupancy and satisfied tenants.

Positive contributions from our acquired NE Pacific Shopping Centers Corporation plus the opening of Fairview Terraces, our second shopping complex co-developed with Ayala Land, Inc. at the start of the year assure us of continued rental income and long-term mass-market opportunities for our retail branches and products from our other business segments. As we acquire more properties, we expand our commercial reach, attracting a large segment of the area’s buying population, making it a profitable proposition for businesses in the area as well as our own.

In specialty retail, we took aim at non-food businesses such as Liquigaz and Office Warehouse. The purchase of Liquigaz through Canaria Holdings, Corp. gave us a strong presence in the upstream LPG wholesale business and a strategic entry into downstream LPG retail. With the establishment of our very own LPG refilling and retailing network, we can hit a wider household end-user market by tapping into the market reach of our Puregold chain of stores. Our terminal in Bataan, once it becomes online towards the end of the year, will be the biggest storage facility not only in Luzon, but in the whole country.

Liquigaz is already beginning to reap dividends for us. Despite being primarily a transition year, 2014 saw the best performance from Liquigaz in its nearly 20-year history. The large demand due to the breakdown of our major competitor pushed us to purchase additional cargo to keep supply flowing. The challenge for the coming year is to grow the business by catering

to a range of industrial and commercial markets through independent retailers, refillers and major players.

Our 100% acquisition of Office Warehouse was also a major hit for us in the non-food segment. With 47 stores across Luzon and no similar competitor in sight, Office Warehouse is a valuable arrow in our arsenal for 2015, providing quality office solutions, a ready, steady market for its products and more importantly, a greater opportunity for growth in that segment.

In our spirits and wine business, a new tax regime implemented in 2013 opened up opportunities for us to offer brands at competitive prices, targeting a mass market that's becoming more attuned to a wider array of liquor brands.

Our distribution deal with Diageo for its popular VAT69, one of the world's most famous Scotch whisky brands and a big seller in Metro Manila and Luzon, is a perfectly-timed shot in the right direction. With Diageo's hundred-strong, heritage-rich portfolio of Scottish, Irish, Canadian and American whiskies, we'll be aiming for more consumers with more choices and in the process, keep hitting those targets for the next year and beyond.

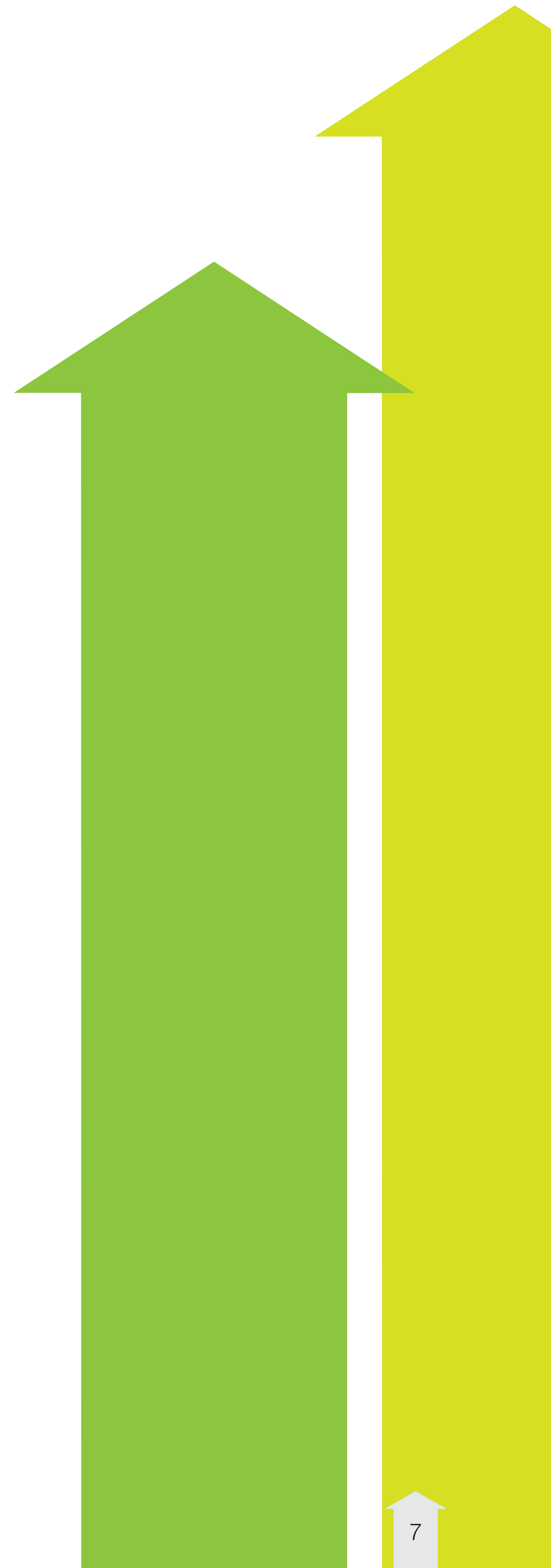
In oil and mining, we continue to explore and develop our interests. In June, a Deed of Agreement between us and Alcorn Petroleum and Minerals Corporation was executed to formalize the transfer of our oil and mining interests to APMC.

And what does the near future of 2015 hold for us? What does it mean to keep aiming for targets we see and create for ourselves?

It just means that we have the vision and wherewithal to bring these plans to life. Through a strong bow of collective vision, spirited teamwork and expert discernment and decision-making, we released our arrows high and wide in 2014, landing squarely on target each and every time.

With your continued support, all the management, marketing, sales, supply and distribution teams will never stop in finding more targets to aim for, more customers to please and more partners to inspire us in our constant aim for success.

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



CORPORATE OVERVIEW

Cosco Capital, Inc. is one of the fastest growing companies in the country today. Multifaceted and dynamic, it is constantly evolving, innovating and spreading out to include more business segments, in the process making the most of the opportunities along the way and creating more than a few of its own.

Previously known as Alcorn Gold Resources Corporation, the company was incorporated on January 19, 1988. With a vision to shoot much higher and further than its original business interests in oil and mineral exploration, the company evolved into a holding company. With its aim to diversify into a broader corporate portfolio, the company became a full-fledged retail holding company and rebranded itself as Cosco Capital, Incorporated.

With the new century came a great new beginning in retail, real estate, liquor distribution and specialty businesses. The oil and mineral exploratory assets remained, for its rewards would take a long time coming, as long-term investments in the interest of the company and the nation.

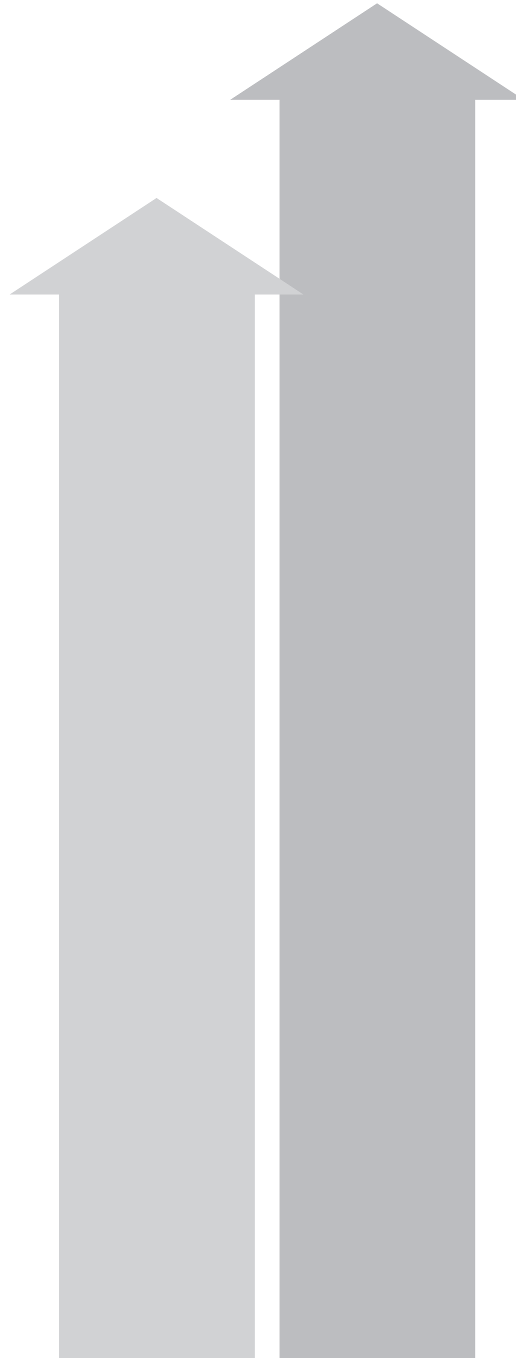
One brand broke through and led the way right from the start. Puregold Price Club, Inc., with a large majority stake owned by the company, became heralded for its strong performance in meeting customer needs across middle and lower income brackets.

Another bright spot in the retail sector was S&R Membership Shopping, which catered to the higher end of the market with its name brands and premium items from here and abroad.

The real estate segment of our portfolio is a strategic move to spread new targets for commercial growth. By acquiring land and developing properties in a host of areas, we open up opportunities for our retail businesses to tap into new markets. Plus, we earn a windfall from various enterprises – from basic services to pharmacies, restaurants, banks and other establishments – who are looking to ride the wave of this commercial opportunity we have opened for them. Cosco Capital, Inc. now has seven (7) companies under our wing, each one an integral component of our success.

Our current real estate portfolio includes several commercial buildings, including Fairview Terraces, our second Ayala Land, Inc. co-development; and a growing number of community malls across Luzon. These are just some of the developments that will grow our business even more in the coming future.

“We’ve started the year on a high, hitting healthy numbers across our businesses in the first quarter alone.”



In the imported wine and liquor distribution business, we lead the way with three (3) of our companies holding exclusive distribution rights for some of the world's most acclaimed brands of alcoholic and non-alcoholic drinks. A growing sophistication among the market to taste other brands as they become available, leads our Liquor Distribution Group to seek new ways to expand and aim for a bigger cut of this evolving market.

For our non-food specialty retail, our biggest 2014 assets are our recently acquired Liquigaz wholesalers and the 47-strong Office Warehouse supply chain. With a constant need for LPG, the opening of our terminal in Bataan and our major competitor categorically sidelined, 2015 is looking very bright for Liquigaz.

For Office Warehouse, because its unique product holds no other competitor, this leaves the office and school solutions market wide open for us to take aim and hit new targets.

The targets for 2015 span a wide array of business interests and market segments. But all are well within our scope. Visionary leadership from the top and a dedicated, skillful team of managers, salespeople and go-getters can only give us the forward momentum we need to release our arrows and hit our mark again and again.

For our partners and stakeholders, 2015 presents many challenges, all of which we are already prepared for. We've started the year on a high, hitting healthy numbers across our businesses in the first quarter alone. As we hit mid-year, our marksmanship only gets better as we fly upwards to another great year of continued success and greater heights of achievement.

A VIEW OF HOW WE DO BUSINESS

2014 started as a year of many targets for Cosco Capital, Inc. We ended the year with just as many bull's eyes. In fact, we even exceeded most of our targets in ways that made it a year of direct hits and record breakers.

We doubled capital expenditure to nearly ₱10 billion. In 2013, it stood only at ₱3.5 billion.

Our consolidated revenue tally stood at ₱98.79 billion for the year, a 102% increase of ₱49.82 billion. Sustained organic growth was the key to our growth in consolidated revenues, as our expansion for retail, real estate and liquor distribution, along with our strategic acquisitions during the year in real estate and specialty retail. Our 2014 ROI ended on a high of 10.94%, up from 10.32% in 2013.

We hit the high marks precisely because we aimed high and kept shooting.

In our retail business, Puregold now has 233 stores, with an additional 9 stores for S&R, for a year-end revenue contribution of ₱84.7 billion, or an 84% increase over last year's ₱38.67 billion Puregold brings in 85.8 percent of revenue from the retail segment. Consolidated net income amounted to ₱4.52 billion, an increase of 77% over last year's ₱1.97 billion.

The next few years in retail will see us opening more Puregold stores, and new Lawson convenience stores, the result of our partnership with Lawson Asia Pacific, Inc. The first Lawson convenience store already opened in 2014.

Our malls, as part of our real estate ventures, are a vital connection to our consumer markets. The opening of Fairview Terraces, our co-development with Ayala Land, Inc. was a major achievement in 2014 and introduced a viable contender in the booming mall landscape of Quezon City. The awaited opening of our community malls in Luzon, particularly in Nueva Ecija, along with urban shopping centers such as 999 Mall in Binondo will only solidify our command of all the segments of the mall-going consumer population.

All these contributed to impressive numbers, among which is a 70% jump in our rent-based income to ₱959 million, boosted by the NE Pacific Mall and Fairview Terraces – a 70% increase over last year's ₱563 million. Our real estate business contributed ₱1.6 billion to the Group's consolidated revenue – that's a growth of ₱481 million or 43% over last year's ₱1.12 billion.

2014 acquisitions of Liquigaz and Office Warehouse are big shots skyward for our interests in specialty retail. Office Warehouse in particular is a big boost, offering a one-stop shop supply of office and school needs in its

47 outlets. It's the only store of its kind in the country, with no competition in sight, and now we count it among our own.

Office Warehouse contributed ₱820 million to our consolidated revenue and ₱5 million to our consolidated net income during the 8 months between our acquisition in April to December 31, 2014.

Liquigaz is another major player in our specialty retail business. It is the second largest supplier of Liquefied Petroleum Gas (LPG) in the Philippines, with more than 30% market volume. In Luzon, Liquigaz is the No.1 supplier. In 2014, Liquigaz contributed ₱7.91 billion to our consolidated revenue and ₱126 million to our consolidated net income during the 5-month period ending December 31, 2014. Return on Capital Employed hit 22.1% and Return on Equity stood at 16.38% - both big gains on the previous year.

For our liquor & spirits business, Montosco, Inc. led the way with distribution deals for VAT69 and a host of other famous Scotch whisky brands from global distributor Diageo. Combined sales form Montosco, Inc., Premier Wines & Spirits and Meritus Prime Distributions, Inc. combined for a total of ₱361 million. Consolidated revenue contributions from this segment amounted to ₱3.72 billion as compared to only ₱1.82 billion in 2013 – that's a 104% increase due in large part to our aggressive sales and marketing campaigns. Net income contribution in 2014 stood at ₱603 million, a 2% increase from last year's ₱594 million.

Double-digit growth was posted by all our businesses, with consolidated net income climbing 67% to ₱6.23 billion. Net income attributable to equity holders amounted to ₱4.027 billion, a 62% increase or ₱1.54 billion more than last year's ₱2.48 billion.

All in all, it was a year of shooting up high to reach targets, marked by a constant trajectory of success. Numerous milestones in each business can spell only more opportunities and higher growth numbers for 2015.

"All these contributed to impressive numbers, among which is a 70% jump in our rent-based income to ₱959 million"

GROCERY RETAIL

Shooting for the Sky

In the past 20 years, Cosco Capital has been a company shot to the top by retail. Puregold Price Club, Inc. has become a major player in the supermarket and hypermarket retail industry. At the end of 2014, Puregold Price Club, Inc. counts 233 branches all over the country, including 9 outlets of high-end S&R Membership Shopping.

The Ayala Land co-development Fairview Terraces featured Puregold as its supermarket, instead of the Landmark outlets commonly associated with its Makati and TriNoma malls.

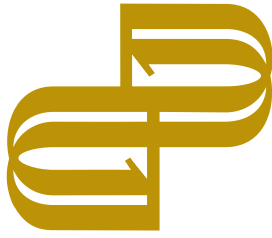
Incorporated in 1998, Puregold has led our growth in retail, operating hypermarkets, supermarkets and retail stores. Strong and still growing consumer demand has pushed revenues past targets and into record numbers. 2014 Puregold market values ended with a post of nearly ₱113 billion. By year's end, this helped push the retail segment's contribution of more than ₱84 billion in revenues and more than ₱4.5 billion in net income.

Along with supermarket Puregold Junior, discount store Puregold Extra, the 999 Shopping Mall in Binondo, the NE shopping malls, Cosco Malls in Laguna, more community malls in Nueva Ecija and the upcoming Lawson convenience stores, we now cater to all SECs across the country.

The Cosco-Lawson partnership in particular will roll out 500 stores in the next five years. A serious contender for the business dominated by 7-Eleven and MiniStop, Lawson will provide operations and product development, while Puregold will handle procurement and promotions.

Our acquisition of the NE Pacific Shopping Centers Corp., owners of the NE Pacific Mall in Cabanatuan City, makes us the dominant player in Nueva Ecija.

Future retail plans include more branches, much bigger than convenience stores, in subdivisions meant to target buyers of small list items.



PUREGOLD

What is now becoming a common sight across Metro Manila and the rest of the Philippines – the Puregold logo emblazoned on its chain of stores – began just 15 years ago in Mandaluyong City. Back in 1998, it was a novel idea. The one-stop shopping location offering everything from groceries to apparel to household accessories and furniture – and all at affordable prices – made a deep mark in the industry. Consumers immediately took notice of this fresh approach. Coupled with excellent service and the high quality of products, Puregold gave the established names at the time plenty to worry about.

Puregold Price Club, Inc. has now become our signature hypermarket format and our biggest contributor to revenue and gross profit. Our customers range from retail customers to small business owners who buy by the bulk and re-sell in a wide variety of formats – sari-sari stores to mini-marts, cafeterias, itinerant sellers, restaurants, bakeries and pharmacies.

At the time, in 1998, the hypermarket concept was indeed a fresh idea. But we took it and ran with it farther than anyone ever did.

For the next 10 years as our Puregold Price Club of hypermarkets began to spread branches all over Metro Manila, a new opportunity to reach out to more consumers took hold. Soon after, in 2008, Puregold Supermarket Jr. made its entrance.

A much smaller store, Puregold Jr. still carried a range of targeted consumer items and a variety of general merchandise, minus wholesale operations. Situated within the vicinity of urban hubs, Puregold Jr. made it easier for customers to troop to the stores as much as several times a day, as their needs dictated.

To sustain our rise in sales, we opened even more opportunities for growth. In 2010, Puregold Extra made its debut, with an even smaller format than Puregold Jr. Featuring top-selling brands and products across all categories, Puregold Extra functioned as a top-up store in small communities, complementing the sari-sari stores already in place.

With the entry of Puregold Jr. and Puregold Extra, the company enjoyed not only a boom in expansion, but also a huge jump in overall sales and visibility, making Puregold the second largest hypermarket and supermarket retailer by 2010, a mere 12 years after we opened our first branch.

To date, Puregold continues to rise and expand, with new stores opening and old names being acquired, transformed and absorbed into the Puregold brand.

Aiming Upward for Bigger Growth and Better Lives

Tindahan ni Aling Puring Membership Program

Puregold is always looking for opportunities to grow our business. But helping others is just as essential to our own growth. It also lends itself to an even greater cause – nation building.

The Puregold Tindahan ni AlingPuring (TNAP) customized membership program, started in 2003, was designed to help MSME (Micro, Small and Medium Enterprises) entrepreneurs with incentives whenever they purchase stock for their sari-sari stores, minimarts, karinderyas, catering and other reselling formats.

These Puregold Ka-Asenso members (as we call them) are entitled to 2 types of memberships that earn them valuable points. The Green Card gives members points when they shop at any Puregold Price Club or Puregold Extra branch. They receive the Gold Card when they reach a minimum purchase of 1.3 million annually. Additional Gold Card benefits include:

- Gold Plus points and Gold Rewards when they reach a set purchase target
- Gold WIN – Welfare Insurance (a grant and access to Accident, Death, Disablement, Calamity Insurance for Welfare and Business Continuity)

An additional card, the "Perks Card", is a loyalty card program that rewards points for shoppers with every purchase at all three formats - Puregold Price Club, Puregold Junior and Puregold Extra.

Hitting the Numbers

233 Total Puregold stores as of 2014
83 Junior Stores
29 Extra Stores
121 Price Club Stores

30k-50k SKUs at Puregold Price Club, Inc.
5k-8k SKUs at Puregold Jr.
1.5k-2k SKUs at Puregold Extra

3,000sqm Selling Area of Puregold Price Club, Inc.
900sqm Selling Area of Puregold Jr.
400sqm Selling Area of Puregold Extra

1.3M Purchase requirement for Gold Membership in TNAP

A New Target. A Higher Trajectory.

In 2012, Puregold opened a new chapter in our aim for an even wider market presence across consumer classes. We acquired majority shares in Kareila Management, which owns S&R Membership Shopping, a members-only store modeled after similar chains in the United States.

S&R is a valuable acquisition, providing an expansive selection of imported and local items that cater to personal and business needs. A wide selection of premium wines and liquors from all over the world are also available, as well as quality local pork, poultry, chilled beef, seafood, fruits, vegetables and breads delivered fresh daily. Consumer electronics and appliances, branded health and beauty products are just some of the other premium items on S&R shelves.

At the time of its acquisition, S&R only had 4 stores all located in Metro Manila. Now S&R has a total of 9 stores – with recent branches in Mandaluyong, Cavite, Pampanga, Cebu and Davao.

A Gold Membership Program is open to individuals, allowing them to save all year round on a vast array of items and promo-packaged bundles.

A Business Membership Program is for licensed business owners or managers, directors or managers of cooperatives and/or non-profit organizations.

2014 also brought an innovative chapter for S&R and Cosco Capital – the creation of the Quick Service Restaurant (QSR) Group that deals with food service.

As more and more families began spending a long, leisurely time checking off items on their grocery lists, they would also spend a lot of their time at S&R having full meals. S&R saw a huge opportunity and established New York Style Pizza in Puregold Subic and Puregold Cubao. By the end of 2014, S&R New York Style Pizza has a total of 6 branches, with additional branches at Fairview Terraces in Quezon City, Marquee Mall in Pampanga, Filinvest Mall in Alabang and Abreeza Mall in Davao. More food service branches are planned by the QSR Group over the next 5 years.

For S&R's next 5 years, we will also be opening additional branches as part of its 2 stores per year plan. By 2020, there will be 19 S&R Membership Shopping warehouses and 31 QSRs.

SPECIALTY RETAIL

A Wider Range of Targets

Cosco Capital has always looked forward to expanding its horizons, seeking out bigger targets to hit. Specialty retail is one of them.

In 2014, strong performance from our acquisitions contributed more than ₱131 million in net income and more than ₱8 billion in revenues.

Part of our non-food segment, this includes the distribution, housing and marketing of goods such as liquefied petroleum gas and office solutions.

Office Warehouse was acquired in early 2014, allowing us to diversity into the everyday office solutions, school equipment and technology product business with its 47 stores placed across the country.

Liquigaz Philippines, the second largest supplier of LPG in the country, was acquired through Canaria Holdings Corp., which is 90 percent-owned by Cosco and 10 percent-owned by PR Gaz, Inc. For 2014, net income for Liquigaz hit ₱126 million.

Liquefied petroleum gas is one of the most profitable markets for business, with its use virtually everywhere – in households, restaurants, schools, hospitals, markets, gas stations or any establishment that augments its electricity use with LPG.

Our acquisitions of these two companies further diversifies our interests, giving us a wider arena – another target – and more opportunities for company growth and revenue.

Established in 1995, Liquigaz was a wholly owned subsidiary of SHV Netherlands in 2014.

It is the second largest supplier of Liquefied Petroleum Gas (LPG) in the country, with more than 30% market volume. In Luzon, where its storage facilities are housed, it is the No. 1 importer. More than 60% of the country's imported LPG comes from Liquigaz.

Liquigaz's 12,500 MT storage tanks, located at its main import terminal in Mariveles, Bataan is the biggest LPG import facility in Luzon, and Liquigaz is the only supplier capable of receiving both refrigerated and pressurized LPG cargo.

In 2014, Cosco Capital, Inc. took aim at Liquigaz and acquired it through our 90%-owned Canaria Holdings Corp., providing us with an opportunity to enter the LPG wholesale business. Current market share has jumped to 30% - a 23% jump from only 7% before being acquired by Cosco Capital, Inc. After this initial transition period, all signs point clearly to an entry into the downstream LPG retail market.

The acquisition of Liquigaz is an important milestone, as Cosco Capital envisions further mergers and acquisitions of existing LPG refillers and retailers, and even the establishment of our own LPG distribution and refilling network.

In 2014, our acquisition of Liquigaz made its impact, with net income contributions of ₱126 million. This has been the biggest year of Liquigaz since its inception in 1996. A major factor was the ability to quickly fill the need in the market. As one of our major competitors in Southern Luzon closed down, Liquigaz stepped in to purchase additional cargo as supply.

Partnered with the reach of Puregold branches, the LPG end-user retail market clearly signifies more opportunities for growth and sets us on an upward trajectory to hit more targets on the horizon.

"Current market share has jumped to 30% - a 23% jump from only 7% before being acquired by Cosco Capital, Inc."

Liquigaz 5 business segments:

- Wholesale
- Autogas
- Cylinder
- Industrial
- Commercial

Infrastructure

Bataan Terminal
Located in Brgy. Alas-asin, Mariveles, Bataan. Its 12,500 MT capacity can receive both Refrigerated and Pressurized cargoes. It is the biggest import facility in the Philippines, making Liquigaz the most reliable LPG supplier.

North Hub
Strategically located in Meycauayan, Bulacan, it will serve our Metro Manila and North Luzon customers.

South Hub
Located in Canlubang, Laguna, it will support the growing demand of South Luzon customers.

Zeroing In on More Business

In 2014, Cosco Capital zeroed in on a new target, one that would open up new possibilities for us in our specialty retail interests: office and school equipment chain Office Warehouse.

In May of 2014, Cosco Capital, Inc. acquired 100 percent share capital of Office Warehouse from its owners, the Lorenzana family, and took control of its 47 stores.

Since 1998, Office Warehouse has been a provider and partner consultant of small and medium enterprises when it comes to quality, cost-efficient and value-adding office solutions.

With this move, Cosco Capital extends its reach into non-food consumer business, with Office Warehouse as a major acquisition with huge potential for growing new business and generating added overall revenue. Its stores are located in major business districts throughout Luzon.

With its office and school supplies, furniture and range of technology products at low prices, Office Warehouse is another shot in the right direction for Cosco Capital.

"Office Warehouse is a major acquisition, with huge potential growing new business and generating added overall revenue. Its stores are located in major business districts throughout Luzon."

LIQUOR DISTRIBUTION

Hitting Our Mark

Our spirits and wine business for 2014 is reason enough to celebrate. Double-digit growth and a new tax regime introduced the previous year allowed us to introduce brands at surprisingly competitive prices, thereby capturing more of the market.

The accessible prices have resulted in stronger consumer purchase, with ₱603 million in net income and more than ₱4.84 billion in revenue contribution by year's end.

Continued patronage of our top alcoholic brands including Cuervo, Absolut Vodka, Johnnie Walker, Chivas Regal and Jim Beam assure more and stronger growth in years to come.

MONTOSCO INC.

Montosco, Inc. is Cosco Capital's liquor and spirits distribution subsidiary. With Montosco, we've made great strides into the brandy and wine industry in the last few years, aiming for high production standards and exceptional marketing, and meeting both winningly.

Founded in 2011, the company is constantly seeking expansion into new territories, all the while maintaining cost-effective production and distribution that keeps up with demands of customers for their favorite brands – from the premium level to the most affordable ones. Effective and dynamic teamwork among the Montosco team allows it to distribute exceptional products at great value for money to our customers.

Early in 2014, Montosco, Inc. inked a deal with global liquor company, Diageo, to distribute its VAT69, one of the world's largest selling scotch brands in Metro Manila and parts of Luzon. The timing is right, as the blended 100% Scotch whiskey is at the height of its popularity because of its sweet, rounded flavor and rich heritage of over a hundred years.

One of the highlights of 2014 is the success of Alfonso Brandy from Williams & Humbert. Originally awarded distribution rights covering only the greater Metro Manila area, now Montosco is the exclusive distributor for the whole of Luzon. This wider audience allowed consumers to trade up to imported brandy, Alfonso being the most affordable imported brandy in its category. As a result, year-end sales shot up to over 500,000 cases.

2014 also saw innovations such as direct servicing to all major key accounts, new direct channel distribution to over 100 trade outlets, plus a transition to new exclusive sub-distributors with better down-line reach and logistics structure. There was also the efficient implementation of promotions to trade, resulting in less stock outs.

The partnership with Diageo itself is ripe with possibilities for the future. A global leader in alcoholic beverages, Diageo has collection of 100 Scotch, Irish, Canadian and American whiskies including the world's biggest Scotch whisky portfolio. It has 28 malt whisky distilleries for famous brands such as Johnnie Walker and J&B. Its other brands include Bushmills whiskies, Smirnoff, Ciroc and Ketel One vodkas, Bailey's Captain Morgan, Tanqueray and Guinness.

With this valuable potential partnership, and more on the horizon including more aggressive above-the-line advertising and marketing promotions, Montosco, Inc. is sure to be a name to reckon with in the liquor industry as it hits its mark again and again.

Meritus Prime Distributions, Inc. is a prime subsidiary of Cosco Capital and part of our new attempts to capture the middle market of wines and spirits. Meritus is also the exclusive Philippine distributor of Fundador Brandy, a famous imported brand from Spain.

Created in March 2010, it began with the appointment of the exclusive Philippine distributorship of Beam Global Spirits & Wine and famous Spanish import Fundador Brandy.

Currently, Meritus is a significant volume seller in the Domestic and Duty Free outlets.

In 2014, Meritus included Premium Wine in its category; thereby expanding our portfolio and partnering with notable international partnerships include the Treasury Wine Estates, the world's #1 listed wine company, and DGB of South Africa.

Even as we achieved more revenue and market inroads through Montosco and Meritus, we shot our arrow even further infield into the liquor industry with Premier Wine and Spirits, Inc.

Premier Wine & Spirits, Inc. was established in 1996 primarily to distribute the now defunct Seagram label – once the largest distillers in the world. Today, Premier is one of the leading independent distributors of wine, spirits, beer and other specialty beverage brands in the country.

With a nationwide distribution network run by a team of dedicated sales and merchandise people, we cover all channels with on-premise and off-premise, provincial and travel retail.

Premier now counts within its portfolio some of the world's leading brands. International brands include Chivas Regal Scotch Whiskey, Glenlivet Scotch, Martell Cognac, Absolut Vodka, Jose Cuervo Tequila and Jagermeister. Premier also carries brands from Gruppo Campari, Distell, Osborne and Heaven Hill.

Premier also distributes Mompo, the country's favorite mass wine, along with Wolf Blass, Ruffino, Marquez de Riscal and Vina Santa Carolina.

Among our other world-famous brands are Red Bull Energy Drink, Budweiser Beer and Perrier Sparkling Water.

Premier's strength as a company lies with its balanced portfolio of premium brands and categories – which is still expanding - giving it a diverse consumer base and consistently high demand. A great distribution network guarantees a supply presence that meets that demand. Effective marketing makes that availability visible and a solid relationship with brand owners means everyone is passionate about building the brand in order to give greater value to customers.

In 2015, Premier Wine & Spirits, Inc. will aim even higher, with more premise and events driven marketing and social media efforts. Prospects are looking good, with more double digit growth seen across the board as a result of integrated plans for the many brands and their distribution to an even wider audience.

REAL ESTATE

Aiming for Higher Ground

Cosco Capital's real estate business in 2014 was quite impressive. Posting a 21-percent jump to ₱975 million to our rent-based income against the previous year, it was boosted by acquisitions of NE Pacific Mall and the opening of Fairview Terraces Mall.

Year-end revenue contribution flew high at more than ₱2.2 billion and net income contribution at more than ₱974 million.

2015 plans include development of properties in Urdaneta, Pangasinan and in Laguna and Nueva Ecija. Other commercial real estate ventures include shopping hubs in the Subic Bay Freeport Zone and community malls within Metro Manila and parts of Central Luzon.

Our real estate group works hand in hand mostly with retail, acquiring properties and developing them for retail use. These partnerships are strategically beneficial for the company's long-term goals with regards to rental income and sustained revenue once the malls or structures are operational.

ELLIMAC
PRIME HOLDINGS, INC.

In 2014, Ellimac Holdings, Inc., our flagship real estate group, signed an agreement of absolute sale for us to build a community mall in Biñan, Laguna. It will be the company's second community mall project. The first community mall, in Marikina, was a lease agreement with Rotonda Development Corporation for a 7,168 sqm area.

Its portfolio now counts 26 properties in Metro Manila; 20 of these are now commercial retail buildings, with 6 on long-term lease arrangements with Puregold Price Club, Inc. In the stages of planning and development are 2 more properties.

2014 also saw the opening of Fairview Terraces, our second mall co-development project with Ayala Land, Inc. located in the booming commercial district of Quezon City. The mall features a wide selection of premium shopping, dining and entertainment choices.

More commercial development projects in the works will make Ellimac one of the major contributors to the continued revenue growth of Cosco Capital.

"2014 also saw the opening of Fairview Terraces, our second mall co-development project with Ayala Land, Inc."

FERTUNA
HOLDINGS, CORP.

Fertuna Holdings Corp. is one of the most valuable companies among our real estate ventures in Central Luzon.

Harbor Point, a co-development with Ayala Land, Inc. is situated in the economic boomtown of the Subic Bay Freeport Zone. The 6.5 hectare mall development is a registered Subic Bay Freeport Enterprise operating in the Freeport Zone. Now a major shopping destination for Central Luzon residents, largely because of its tax and duty-free importation privileges under Republic Act 7277.

With the establishment of Harbor Point, Cosco Capital, Inc. strengthens its position as a leader in real estate in Central Luzon, with more ventures to fly swiftly in the future.

PATAGONIA
HOLDINGS, CORP.

The Bonifacio Global City is a major real estate area in Metro Manila, steadily attracting commercial and residential developers in the last 20 years. Cosco Capital, Inc. is one of those targeting its rich landscape for possibilities for growth. Through Patagonia Holdings Corp., we acquired 7 parcels of land summing a total land area of 1.3 hectares.

S&R Membership Shopping has operated a store at the Fort and with a heightened inflow of residential owners in the area, will only be a source of greater income in years to come.

NATION
REALTY, INC.

Our successful real estate ventures in the past opened up new directions in which we took aim. The 999 Shopping Mall, located in the heart of Binondo, Manila is one such venture.

A specialty mall, it is a modern version of the well-loved tiangge or flea market, with numerous individual stalls of bargain clothes and accessories being the key features. The 999 Shopping Mall immediately became a dominating presence in the retail division. Positioned as a specialty mall, it caters mostly to the bargain-hunters, who surprisingly, are not only confined to the CD markets.

118
HOLDINGS, INC.

118 Holdings, Inc. was established in November 2008, and now owns 32,427 sqm of land in Subangdaku, Mandaue, Cebu, of which 25,253 sqm are currently being leased by S&R Membership Shopping.

2011 acquisitions include a 12, 464 sqm parcel of land in Imus, Cavite. A one-storey retail structure on the property now houses over 60 tenants, with Puregold Price Club, Inc. as its primary lessee.

NE
PACIFIC SHOPPING CENTERS CORP.

One of Cosco Capital's major acquisitions in 2014 was the NE Pacific Mall. Located in Cabanatuan City, the NE Pacific Mall is widely seen as the premium shopping destination in the province of Nueva Ecija.

The 10-hectare mall houses a supermarket, department store, hardware and appliance centers, restaurants and many others. One of the key tenants of the mall is its very own Puregold Price Club, Inc.

NE Pacific Mall is a major shot in the arm for our real estate portfolio. It opens the doors for new business in Nueva Ecija, creating a greater demand from consumers and business owners. This demand strengthens as the local economy improves, which leads to a healthier business atmosphere for entrepreneurs who may wish to locate their businesses within Cosco's commercial properties.

PURE
PETROLEUM CORP.

Established to lease large-scale tanking storage for fuel and petroleum, it was established in 2009 and began operations in December 2012. A 100% Filipino owned and operated corporation, it has adapted the best practices of the oil industry, applicable policies and procedures to ensure safe and efficient operation of its 9 fuel tanks with total capacity of 90 million liters and a 350 KL CME storage tank.

Our fuel terminal also features jetty facilities for bulk loading and unloading, two units' mooring buoy, water storage tank for fire protection and maintenance and a truck loading rack.

PPC stands by its corporate policy which commits to manage its business according to these principles:

- Operation of facilities and handling of petroleum products in a manner that protects the environment, safety and health of employees and the general public
- Make safety, health and environmental considerations a priority in our planning and development of processes
- Economically develop systems that will use energy efficiently
- Counsel customers, transporters and others in the safe use, transportation and disposal of petroleum products and waste materials

"A 100% Filipino owned and operated corporation, it has adapted the best practices of the oil industry."

OIL AND MINERALS

Shoot High. Aim Low.

In 2013, Cosco Capital was the Alcorn Gold Resources Corp., before consolidating our various businesses under a holding company, Cosco Capital, Inc.

Our involvement with mining allows us to pursue mineral, gas and oil exploration in areas in Palawan and Eastern Visayas.

Currently, our copper and gold mining assets in Iloilo are being furthered by a wholly owned subsidiary after our restructuring. Positive results are being expected in this field, which will then lead to increased capital inflow to further support this venture.

Alcorn Petroleum and Minerals Corporation was organized to target exploration and development of Cosco's interests in oil and mining business activities.

The company's portfolio of participating interests in petroleum exploration and extraction activities in Palawan area and Eastern Visayas region has proven advantageous in forging partnerships with Vale Exploration Philippines, a subsidiary of Brazilian Mining Company. Vale has now begun drilling at Cosco's copper exploration tenement in Concepcion, Iloilo.

A favorable result of these exploration activities will lead to progressive steps toward further development of this mining asset.

2014 Results and Achievements

2014 passes as another high-flying year for Cosco Capital, Inc. It was a year of many highlights and milestones.

On February 11, 2014 the Board of Directors approved the acquisition of NE Pacific Shopping Centers Corporation. Ownership of the Nueva Ecija establishment was transferred on February 28, 2014.

The 10-hectare NE Pacific Mall houses shopping choices from supermarkets to department stores to appliance centers and hardware. Puregold Price Club, Inc. is the key tenant of the mall.

Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc., which is a retailer of school and office solutions with 47 stores, pursuant to an agreement to purchase signed on February 18, 2014.

On May 16, 2014 Cosco Capital, Inc. entered into a ₱5 billion Corporate Notes Facility Agreement with syndicate of institutional lenders composed of banks and insurance companies. The facility consists of seven (7) year and ten (10) year notes. The funds will be used for strategic acquisition and general corporate notes.

On June 11, 2014 Cosco Capital, Inc. and its subsidiary, Alcorn Petroleum and Mining Corporation entered into Deed of Assignment of rights and interest over Service Contracts including transfer of assets, privilege duties and obligations.

On June 12, 2014, Puregold entered into a joint venture agreement with Lawson Asia Pacific Holdings PTE. LTD. and Lawson, Inc. (Lawson) both engaged in the operation of convenience stores in Japan and other Asian countries, to establish a Joint Venture company that will operate convenience stores in the Philippines. The plan is to build 500 stores over the next 5 years. The first 200 will be company-owned with the rest licensed as franchises. The first Lawson convenience store opened in February 2014.

On June 27, 2014, our Board of Directors of Cosco Capital, Inc. declared and approved the payment of cash dividends amounting to ₱0.06 per share payable to all qualified stockholders as of the record date of July 11, 2014 payable on July 28, 2014.

On July 21, 2014, Canaria Holdings Corporation, a Philippine registered corporation which is 90%-owned by Cosco Capital,Inc. entered into a Deed of Assignment with PR Gaz, Inc. for the acquisition of 100% equity in Liquigaz Philippines involving a total consideration of about ₱3.456 billion.

On December 18, 2014, our Board of Directors declared and approved the payment of cash dividends amounting to ₱0.08 per share payable to all qualified shareholders as of the record date of January 12, 2015 payable on February 5, 2015.

On the same date, our Board of Directors gave its approval to buy back the Company's shares up to ₱1.00 billion or approximately ₱30.0 million shares within one year from the approval or until November 4, 2015. As of December 31, 2014, the Company already bought back 472,200 shares with acquisition cost of ₱3,963,490 and was classified in the Company's book as treasury shares.

2014 was a year of outstanding numbers and targets that were hit repeatedly and convincingly, inarguably the best year ever for Cosco Capital, Inc. Double-digit growth on all fronts, increases in our net income – up 67% to ₱6.23 billion; and in our revenue – up 102% to ₱98.79 billion.

Remarkable results of stellar work by management, sales, marketing and executive teams make up the bow that launched these arrows that hit all our targets in 2014.

2015 is an even bigger challenge. But we all know we can reach even further to attain even greater success.

CONSOLIDATED REVENUE & NET INCOME

	2014	2013
Consolidated revenue	98,786,743,840	48,976,139,063
Consolidated net income	6,235,501,639	3,731,205,509

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

	2014	2013
Grocery Retailing	84,697,390,792	46,024,322,583
Real Estate and Property Leasing	1,605,227,036	1,124,322,373
Liquor Distribution	3,717,052,727	1,824,794,964
Specialty Retail	8,726,666,724	-

SEGMENT OPERATING HIGHLIGHTS

REVENUE CONTRIBUTION BY BUSINESS SEGMENT

	2014	2013
Grocery Retailing	84,697,390,792	73,177,209,023
Real Estate and Property Leasing	2,209,728,368	2,154,284,847
Liquor Distribution	4,840,817,814	3,564,971,065
Specialty Retail	8,726,666,724	-

NET INCOME CONTRIBUTION BY BUSINESS SEGMENT

	2014	2013
Grocery Retailing	4,520,457,686	3,959,257,169
Real Estate and Property Leasing	974,947,793	452,893,368
Liquor Distribution	603,431,864	539,130,052
Specialty Retail	132,150,278	-

Our Greatest Feat

A Fair View to a Great Target

Fairview Terraces is a sprawling ₱5 billion mixed-use commercial complex in the suburbs of Quezon City, the largest city in Metro Manila. It is the second co-development of Cosco Capital, Inc., made through Ellimac Prime Holdings, with Ayala Land, Inc. and the third mall to rise within the booming business area of what is often lovingly referred to as "Far View" even by QC residents.

The mall stands on 5.8 hectares along Quirino Highway in Novaliches, Quezon City, in between the entrance to a major subdivision and the decades-old transmitter of FM station DZRJ or Rajah Broadcasting.

Of all the developments within the area, Fairview Terraces is seen as the one that fully embraces the natural landscape with its green design. Decades-old trees are kept intact, including a huge mango tree that anchors the Central Garden, instead of being cut down to make way for concrete foundations. In fact, there are 2 mango trees, a santol tree and a full-grown balete tree. Instead of moving them, the architects designed and built the structures around the spaces the trees occupy, creating a perfect balance of nature and structure. It also gives Fairview Terraces an organic feeling of oneness with the natural, leafy green environment of the area.

The vast number of trees in the heart of the mall also makes for relaxed alfresco dining. The network of branches and leaves gives fresh air and natural protection from the hot sun. An open area at the topmost floor also gives shoppers, especially children, ample space to relax and play.

Fairview Terraces has 68,700 sqm of leasing space and 10,000 sqm in a soon-to-rise corporate center. Right now, 420 establishments from dining to shopping to electronics offering brands both local and foreign are housed in the complex including a Puregold Price Club, Inc., which is something new for the company, since Ayala malls are usually serviced by Landmark supermarkets. A New York Style Pizza developed by the Quick Service Restaurant (QSR) Group also began serving customers a few months after the mall formally opened to the public.

With nearly 200,000 households in the Novaliches area alone straddling the ABC market, Fairview Terraces promises a great example of how we can partner with other developers in creating opportunities for the company to target bigger segments of the population in the future.

"Of all the developments within the area, Fairview Terraces is seen as the one that fully embraces the natural landscape with its green design."

NE
PACIFIC MALL
Targeting the North

The strength of Cosco Capital, Inc. has always been our ability to marry our business interests and to mine it for growth opportunities.

Last year, we aimed for a wide range of targets, but did it, so to speak, with fewer shots fired into the air – with a consolidated effort that bears multiple benefits across segments.

Such is the NE Pacific Mall, operated by the NE Pacific Shopping Centers Corporation (NEPSCC) and acquired by Cosco Capital, Inc. in March of 2014.

NE Pacific Mall is considered a premiere shopping, dining and entertainment destination. It is the biggest and most popular mall in Cabanatuan City, which is considered the economic and financial center of Nueva Ecija and its largest city. It sits on 10 hectares of prime real estate, with a floor area of 35,000 square meters and a leasable area of 23,000 square meters. Housing over 400 brands and businesses spanning food and non-food specialty retail, electronics and appliances, arcades, banks, government satellite offices, gaming arcades, cinemas and a supermarket, it attracts a considerable following among the local population and visiting Manileños.

NE Pacific Mall is a boon to our real estate and retail segment – a Puregold Price, Club Inc. is the main tenant and a key contributor not only to retail income but to consumer traffic for the entire mall.

The 2014 calendar of NE Pacific Mall was filled with high-traffic activities several times a month, filing the mall's different activity areas – the atrium, the Cinema and the parking and exterior lots with huge crowds.

NE Pacific Mall was, and still is, a major promotional destination for media giants ABS-CBN and GMA. Contract artists from these two networks regularly make a stop at NE Pacific Mall during road shows promoting their TV shows, music and movies. The Cinema also doubles as an event venue for seminars, contests and graduations.

But it is the NE Pacific Mall Atrium that is the most booked venue for events. Brands launched new products and promos almost monthly. The annual Miss Nueva Ecija is just one of the many beauty pageants held at the atrium. The NE Pacific Idol, a talent showcase also attracts fans from all over Nueva Ecija for many weeks during auditions all the way to the grand final phase. Red Cross and the Girl Scouts of the Philippines would also hold bloodletting and investiture activities here.

But NE Pacific Mall is just one of many properties owned by NEPSCC. Our acquisition extends to their other existing NE supermarkets including those in San Jose and Cabanatuan, both in Nueva Ecija; Baliwag,

Bulacan; Baler, Aurora and Santiago, Isabela.

The commercial properties with existing buildings are also in the same areas in Nueva Ecija, Aurora and Isabela. Three of these properties will be converted into community malls.

The NE Pacific Mall embodies our business strategy of opening doors through real estate and, once opened, hitting the target market with the power of retail. This is something we have been doing, and will continue to do so, all over the country in the very promising years to come.

The market for Liquefied Petroleum Gas (LPG) has always been big in the Philippines. In urban and rural communities, it is still widely prevalent. LPG's importance for cooking and lighting became especially felt in the power crisis of the early 1990s, when rotating power outages of up to 6 hours would regularly cast the countryside and Metro Manila into darkness. Candles, rechargeable lamps and generators enjoyed brisk sales.

Ironically, more than 20 years and three presidents later, Mindanao still suffers from relatively long and fairly regular power outages. The Philippines still holds the unwanted distinction of having one of the highest electricity rates in Asia and the world. Add to this the ageing coal power plants and the long dry seasons that push down dam water levels and compromise hydroelectric supply – no wonder LPG continues to be a highly valuable and sought-after commodity.

In 2014, Cosco Capital, Inc., through our Canaria Holdings Corp., entered this high-demand market by acquiring the nearly 2 decades-old Liquigaz Philippines from SHV Netherlands.

Liquigaz has the biggest import facility in the country, is the second largest supplier of LPG, and now holds more than 30% market volume. In Luzon, it is the No. 1 supplier.

Liquigaz represents a huge opportunity to aim higher in the field of specialty retail through the downstream LPG business. With a yearly demand, now currently at 1.2 million metric tons, that could only go higher, Cosco Capital, Inc. is in the midst of a major breakthrough in the LPG distribution and reselling network.

So far, Liquigaz has contributed substantially with net incomes of ₱126 million. The next target in our sights: to increase distribution in the Visayas and Mindanao regions with more supply terminals.

LPG has always been big in the Philippines. Now, with Liquigaz, it will be big for us as well.

"So far, Liguigaz has contributed substantially with net incomes of ₱126 million. The next target in our sights: to increase distribution in the Visayas and Mindanao regions with more supply terminals."

Setting Our Sights on 2015

In the past few years, Cosco Capital, Inc. has made sizable strides in the retail industry. Puregold in particular is now a household name and played a major hand in the evolution of the competitive world of retail.

The swift rise in the number of Puregold stores in recent years, showing up in its many guises and sizes, including Puregold Jr. and Puregold Extra continuously caught a lot of the public by surprise. It also fueled recognition that this really was a brand on the way up. And up we went indeed.

So it was but natural that our strategy all these years revolved in big part around the Puregold name and led by retail, where we were strongest. Where we want to go, Puregold leads the way.

Our innovative strategy saw us buying real estate to establish and spread our Puregold brand of retail stores. With Puregold established in the area, within this community mall, we would then lease out space to a wide array of tenants. This not only brings Puregold closer to our target markets, but leads to economic development within the community. Jobs are produced, tenants get space that guarantee high consumer traffic, we earn rent income from the tenants, capital is spread around and everyone benefits.

This retail platform, with community malls of around 5,000-8,000 sqm areas, and Puregold as the main tenant, also posits big for our real estate ventures as the value of the lots increase with all the economic activity we create.

Our retail success allows us to further our goals for our other businesses, which are all posting double-digit growth on their own. Our liquor and wine retail and distribution segment will continue to bring in more internationally-known brands for an expanding market craving for more diverse options.

The development of real estate will continue as we seek more spaces, more opportunities to acquire existing retail outlets which have seen better days, thus giving new life to the communities where they are situated. In the process, like always, we renew the economic life of that community with space for new tenants, new entrepreneurs with franchises or new stores who want to succeed in business.

In the specialty retail segment, we will continue to develop Liquigaz, now poised to fly higher as we open our terminal in Quezon for Southern Luzon and possibly Visayas and Mindanao. Office Warehouse, our other specialty retail platform, now has 48 stores. It is to be expected that even more will be opened.

2014 ended with the best consolidated results for all our businesses. More stores, more properties, a wider distribution for a greater number of wines and spirits, continued exploration for minerals, gas and oil have all given us unprecedented growth in numbers and reach.

2015 should be the same. But then, it ought not to be, for 2015 could be much, much bigger.

That is what we at Cosco Capital, Inc. are aiming for.

BOARD OF DIRECTORS

FROM LEFT TO RIGHT: Lucio L. Co - Chairman of the Board, Leonardo B. Dayao - President, Susan P. Co - Director, Atty. Eduardo F. Hernandez - Director, Levi B. Labra - Director, Oscar S. Reyes - Independent Director, Robert Y. Cokeng - Independent Director

Lucio L. Co
60, 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 also serves as Chairman of Puregold Price Club, Inc. and Da Vinci Capital Holdings, Inc. (both publicly-listed companies), CHMI Hotels and Residences, Entenso Equitites, Inc., Liquigaz Philippines Corporation, NE Pacific Shopping Centers Corporation, Puregold Duty Free (Subic), Inc., San Jose City I Power Corp., Union Energy Corporation, Puregold Finance, Inc., Puregold Realty Leasing & Management, Inc., and Alcorn Petroleum and Minerals Corporation. He is the Chairman and President of Union Equities, Inc., Bellagio Holdings, Inc., Canaria Holdings Corporation, Ellimac Prime Holdings, Inc., Forbes Corporation, Invescap Incorporated, P.G. Holdings, Inc., Puregold Duty Free, Inc., Puregold Properties, Inc., PPCI Subic Inc., Pure Petroleum Corp. He is also Director of Philippine Bank of Communications (publicly-listed company), 118 Holdings, Inc., Catuiran Hydropower Corporation, Illido Management Corporation, Kareila Management Corporation, LCCK & Sons Realty, Inc., Meritus Prime Distributions, Inc., Montosco, Inc., Nation Realty, Inc., Patagonia Holdings Corp. and Premier Wine and Spirits, Inc. He is a member of the Board of Trustees of Adamson University.

He has been an entrepreneur for the past 40 years.

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

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

Susan P. Co
57, 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.

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

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

Atty. Eduardo F. Hernandez
85, Filipino, Director

Atty. Hernandez is one of the incorporators of the Company. He serves as Chairman of the Board from 1987 to 2012 and Company President from 1987 to 2010. Atty. Hernandez has been duly elected to hold office as Director for one year and until his successor is elected and qualified.

Atty. Eduardo F. Hernandez is one of the incorporators of the Company. He served as President of Alcorn Gold Resources which became Cosco Capital, Inc. where he was been duly elected to hold office as Director for one year and until his successor is elected and qualified. He is a Senior Counsel of Romulo, Mabanta, Buenaventura & Sayoc Law Office. Atty. Hernandez obtained his Law Degree in the University of the Philippines in 1953. He served as Supreme Court Bar Examiner in Civil Law in 1968 and in Commercial Law in 1982. He was likewise a former President of the Philippine Bar Association and also served as Regent of the University of the Philippines. He is presently the Chairman of the Philippine Petroleum Association of the Upstream Industry (Oil & Gas), Inc. He is also the author of various law books such as: (a) Landowners' Rights published in 2002, (b) Philippine Admiralty and Marine Law, published in 2006.

Levi Labra
57, Filipino, Director

Mr. Levi Labra 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.

Oscar S. Reyes
69, Filipino, Independent Director

Mr. Reyes has been duly elected to hold office as Independent Director for one year and until his successor is elected and qualified.

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

Mr. Reyes served as Country Chairman of the Shell Companies in the Philippines and concurrently President of Pilipinas Shell Petroleum Corporation and Managing Director of Shell Philippines Exploration B.V.

He completed his Bachelor of Arts degree in Economics at the Ateneo de Manila University in 1965 (Cum Laude) and did post-graduate studies at the Ateneo Graduate School of Business, Waterloo Lutheran University and the Harvard Business School.

Robert Y. Cokeng
63, Filipino, Independent Director

Mr. Cokeng has been duly elected to hold office as Independent 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.; 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.

MANAGEMENT TEAM

PUREGOLD PRICE CLUB INC.
FROM LEFT TO RIGHT: Ferdinand Vincent P. Co - Marketing Director, Antonio E. Delos Santos II - Operations Head, Teodoro A. Polinga - Comptroller (Assumed position April 1, 2015), Elvira D. Gutierrez - Senior Manager, HRD, Elbert I. Balcos - Senior Manager, Information Technology, John Marson T. Hao - Vice-President for Investor Relations, Denise Maria D. Carolino - Vice-President for Administration, Anabelle SJ Kahiwat - Senior Audit Manager

S&R MEMBERSHIP SHOPPING
FROM LEFT TO RIGHT: Anthony G. Sy - President, Justine P. Co - Division Merchandise Manager, Gisela R. Altura - Comptroller, Susan P. Co - Vice-Chairman, Clonita S. Chico - Vice-President for Human Resources, Gwen Lourdes G. Lim - Vice-President for Buying, Kelly Eugene Ricks - Vice-President for Business Development

MONTOSCO INC.
FROM LEFT TO RIGHT: Ma. Cristina Aguila - Jr. Accountant, Catherine Cai - Brand Manager, Belen Lim - On Trade Channel Manager, Regina Jane Chua - Sales Manager, Janelle Uy - General Manager, Imelda Lacap - Finance Manager

MERITUS PRIME DISTRIBUTIONS INC.
FROM LEFT TO RIGHT: Imarie Ong - Marketing Specialist, Camille Clarisse P. Co - Trade and Marketing Manager, Risharlyn Uy - Sales and Admin Manager, James Yulo - Distribution Manager

PREMIER WINE AND SPIRITS INC.
FROM LEFT TO RIGHT: Ma. Felicitas Sorio - Import Manager, Mary Demetillo - Chief Financial Officer, Jose Paulino Santamarina - President, Michael Sanvictores - Sales Manager, Steve Bagbagen - Accounting Manager

LIQUIGAZ
FROM LEFT TO RIGHT: Jerome D. Fontanos - Vice-President for Operations, Iñigo Golingay - President and CEO, Julieta S. Albaño - Chief Financial Officer, Edward P. David - Vice-President for Sales and Marketing, Omar Dayao - Treasurer

OFFICE WAREHOUSE
FROM LEFT TO RIGHT: Marilyn Bernardo - Logistics Head, Dino Niño Navarro - Area Manager, Iraida De Guzman - President, Nady Sauza - Finance Head, Grace Manabat - Merchandising Head

REAL ESTATE (DEVELOPMENT/LEASING/MANAGEMENT)
FROM LEFT TO RIGHT: Jasmin Tamayo - Billing and Collection Manager, Joan Justo - Leasing Manager, Girlie Sy - Admin and Finance Manager, Jun Lucero - Technical and General Services Manager, Herbert Lanip - Accounting Manager, Ruth Feril - Leasing Manager, Dante Chua - President, Monalisa Capule - Marketing Manager, Maripaz Ching - Accounting Manager, Jess Cunanan - Senior Leasing Manager, Ruth Roy - Operations Manager, Rosell Cabildo - Finance and Admin Manager, Alfred Chen - Lease Admin Manager

COSCO CAPITAL TEAM

FROM LEFT TO RIGHT: Omar Dayao - Financial Planning Officer, Leonardo B. Dayao - President, Mary Ann Viloria - Admin Officer, Gerardo Teofilo, Jr. - Assistant Comptroller, Karrina Caritativo - Corporate Communications Assistant, Wyomia Guevarra - HR Manager, Belinda Gerona - Admin and Accounting Manager, Darlene Mae De Guzman - HR Officer, Teodoro Polinga - Comptroller, Atty. Jose Santos - Corporate Secretary, Atty. Andres Santos - Legal Counsel, Atty. Candy Dacanay-Datuon - Assistant Corporate Secretary / Compliance Officer

CORPORATE GOVERNANCE

The Board approved the Company's Corporate Governance Manual on October 20, 2010 to monitor and assess the level of the Company's compliance with leading practices on good governance as specified in Circulars issued by the Securities and Exchange Commission (SEC). Aside from establishing specialized committees to aid in complying with the principles of good corporate governance, the manual also outline specific investor's rights and enumerates particular duties expected from the Company's Board members, officers and employees. It also features a Disclosure System which highlights adherence to the principles of transparency, accountability and fairness.

An office of the Compliance Officer is tasked with the formulation of specific measures to determine the level of compliance with the Manual by the Company's Board members, officers and employees. To date, the Company has not encountered any deviations from the Manual's standards. Atty. Candy H. Dacanay-Datuon is the appointed Compliance Officer of the Company.

To increase the awareness and deepen the appreciation of complying with best practices of good corporate governance, the Company Directors and Officers are attending Corporate Governance Seminars conducted by accredited providers of the SEC. Further, pursuant to the Company's Corporate Governance Manual, the Company's Board has each of the following committees:

Audit Committee

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

The Audit Committee reports to the Company's Board. The Audit Committee Chairman is Mr. Oscar S. Reyes, Independent Director, and members are Lucio L. Co and Leonardo B. Dayao.

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

Compensation Committee

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

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

Nomination Committee

The Company's Nomination Committee is responsible for providing the Company's shareholders with an independent and objective evaluation and assurance that the membership of the Company's Board is competent and will foster long-term success and competitiveness. The Nomination Committee reports directly to the Company's Board and is required to meet at least once a year. The Nomination Committee consists of Susan P. Co as Committee Chairman, Leonardo B. Dayao and Levi B. Labra as members.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of **COSCO CAPITAL, INC. AND SUBSIDIARIES** (the "Group"), is responsible for the preparation and fair presentation of the financial statements as at and for the years ended December 31, 2014 and 2013, including the additional components attached therein, in accordance with the Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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

Signature ______________________
LUCIO L. CO/Chairman of the Board

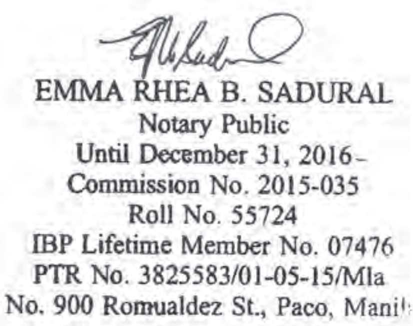
Signature ______________________
LEONARDO B. DAYAO/President

Signature ______________________
TEODORO A. POLINGA/ Group Comptroller

SUBSCRIBED AND SWORN to before me this APR 1 day of 2015 2015 affiants exhibiting to me their respective Pass Ports, as follows:

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

Doc. No. 80;
Page No. 17;
Book No. I;
Series of 2015



EMMA RHEA B. SADURAL
Notary Public
Until December 31, 2016
Commission No. 2015-035
Roll No. 55724
IBP Lifetime Member No. 07476
PTR No. 3825583/01-05-15/Mla
No. 900 Romualdez St., Paco, Manila

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Branches: Subic · Cebu · Bacolod · Iloilo

REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Cosco Capital, Inc. and Subsidiaries (formerly Alcorn Gold Resources Corporation), which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, 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.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Cosco Capital, Inc. and Subsidiaries as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2014 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. 4748126MC
Issued January 5, 2015 at Makati City

March 13, 2015
Makati City, Metro Manila

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

	Note	December 31 2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	*4, 32, 33*	**P15,681,010,818**	P14,744,149,987
Short-term investments	*5, 32, 33*	**824,078,115**	500,000,000
Receivables - net	*6, 32, 33*	**5,321,986,551**	2,818,808,266
Merchandise inventory	*7, 21*	**13,921,685,345**	10,354,718,168
Investments in trading securities	*8, 32, 33*	**37,448,469**	28,867,376
Available-for-sale financial assets	*9, 32, 33*	**14,277,024**	11,458,480
Due from related parties	*26, 32, 33*	**10,049,370**	-
Prepaid expenses and other current assets	*10*	**1,164,914,349**	1,702,982,309
Total Current Assets		**36,975,450,041**	30,160,984,586
Noncurrent Assets			
Investments	*11, 32, 33*	**912,065,182**	439,775,237
Property and equipment - net	*12*	**15,285,188,229**	13,480,715,044
Investment properties - net	*13*	**12,773,920,323**	11,672,008,123
Intangibles and goodwill - net	*14*	**20,895,164,609**	18,000,887,819
Deferred oil and mineral exploration costs - net	*15*	**119,168,419**	118,829,183
Deferred tax assets - net	*28*	**120,214,897**	52,941,791
Due from related parties - noncurrent portion	*26, 32, 33*	**7,995,068**	-
Other noncurrent assets	*16, 22, 32, 33*	**2,609,412,772**	1,196,154,380
Total Noncurrent Assets		**52,723,129,499**	44,961,311,577
		P89,698,579,540	P75,122,296,163
LIABILITIES AND EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	*17, 32, 33*	**P12,715,282,082**	P11,562,162,196
Short-term loans payable	*18, 32*	**2,259,100,000**	1,212,000,000
Current maturities of long - term loans, net of debt issue costs	*18, 32*	**1,007,789,300**	-
Income tax payable		**829,501,994**	734,939,892
Trust receipts payable	*32, 33*	**-**	16,543,219
Due to related parties	*26, 32, 33*	**42,605,644**	48,453,321
Other current liabilities	*19, 32, 33*	**408,917,894**	413,894,806
Total Current Liabilities		**17,263,196,914**	13,987,993,434
Noncurrent Liabilities			
Long-term loans - net of current maturities and debt issue costs	*18, 32, 33*	**8,858,613,920**	3,451,714,933
Deferred tax liabilities - net	*28*	**753,780,195**	938,849,665
Retirement benefits liability	*27*	**433,436,122**	293,041,032
Deposits for future subscriptions in a subsidiary	*20*	**150,313,060**	-
Noncurrent accrued rent	*22*	**2,068,506,537**	1,599,368,798
Other noncurrent liabilities	*32*	**491,968,455**	20,507,316
Total Noncurrent Liabilities		**12,756,618,289**	6,303,481,744
Total Liabilities		**30,019,815,203**	20,291,475,178

Forward

	Note	December 31 2014	2013
Equity			
Capital stock	*29*	**P7,405,263,564**	P7,405,263,564
Additional paid-in capital	*29*	**9,634,644,229**	9,634,644,229
Treasury stock	*29*	**(252,620,619)**	(244,757,527)
Remeasurements of retirement liability - net of tax	*27*	**(49,793,434)**	(2,520,490)
Reserve for fluctuations in value of AFS financial assets	*9*	**6,932,418**	4,565,462
Retained earnings	*29*	**25,925,960,160**	23,039,953,941
Total Equity Attributable to Equity Holders of Parent Company		**42,670,386,318**	39,837,149,179
Non-controlling interest		**17,008,378,019**	14,993,671,806
Total Equity		**59,678,764,337**	54,830,820,985
		P89,698,579,540	P75,122,296,163

See Notes to the Consolidated Financial Statements.

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

			Years Ended December 31	
	Note	**2014**	2013	2012
REVENUES				
Net sales		**P97,388,308,049**	P47,848,891,949	P -
Services		**1,395,944,012**	1,124,547,971	-
Production lifting		**2,491,779**	2,699,143	4,139,787
		98,786,743,840	48,976,139,063	4,139,787
COST OF SALES AND SERVICES				
Cost of sales	*21*	**80,893,132,928**	39,121,065,999	-
Cost of services	*21*	**881,868,408**	320,802,897	-
		81,775,001,336	39,441,868,896	-
GROSS PROFIT		**17,011,742,504**	9,534,270,167	4,139,787
OTHER OPERATING INCOME	*23*	**2,838,352,986**	1,399,851,181	-
		19,850,095,490	10,934,121,348	4,139,787
OPERATING EXPENSES	*24*	**11,130,394,999**	5,894,115,883	22,364,857
INCOME FROM OPERATIONS		**8,719,700,491**	5,040,005,465	(18,225,070)
OTHER INCOME (EXPENSES)				
Interest expense	*18*	**(286,043,223)**	(28,550,079)	-
Interest income		**182,061,951**	17,614,984	16,362,524
Others – net	*25*	**73,299,972**	53,282,253	12,651,817
		(30,681,300)	42,347,158	29,014,341
INCOME BEFORE INCOME TAX		**8,689,019,191**	5,082,352,623	10,789,271
INCOME TAX EXPENSE	*28*	**2,453,517,552**	1,351,147,114	19,298
NET INCOME		**6,235,501,639**	3,731,205,509	10,769,973

Forward

	Note	Years Ended December 31 2014	2013	2012
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	*9*	**P2,366,956**	P1,941,770	(P170,531)
Items that will never be reclassified subsequently to profit or loss				
Remeasurements of retirement benefit liability	*27*	**(54,415,785)**	43,637,916	-
Income tax effect		**16,324,736**	(13,091,375)	-
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		**(35,724,093)**	32,488,311	(170,531)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**P6,199,777,546**	P3,763,693,820	P10,599,442
Net income attributable to:				
Equity holders of the Parent Company		**P4,026,866,478**	P2,482,546,969	P10,769,973
Non-controlling interests		**2,208,635,161**	1,248,658,540	-
		P6,235,501,639	P3,731,205,509	P10,769,973
Total comprehensive income attributable to:				
Equity holders of the Parent Company		**P4,010,400,185**	P2,500,067,475	P10,599,442
Non-controlling interests		**2,189,377,361**	1,263,626,345	-
		P6,199,777,546	P3,763,693,820	P10,599,442
Basic/Diluted earnings per share attributable to equity holders of the Parent Company	*31*	**P0.543784**	P0.527243	P0.000144

See Notes to the Consolidated Financial Statements.

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

	Attributable to Equity Holders of the Parent Company							
	Capital Stock (Notes 1 and 29)	Additional Paid-in Capital (Note 29)	Treasury Stock	Remeasurements of Retirement Liability Net of Tax (Note 27)	Reserve for Fluctuations in Value of AFS Financial Assets	Retained Earnings	Non-controlling Interest	Total Equity
As at January 1, 2012	P697,140,569	P -	P -	P -	P2,794,223	P87,433,019	P -	P787,367,811
Issuance during the year	577,859,431	-	-	-	-	-	-	577,859,431
Total comprehensive income (loss)								
Net income (loss) for the year	-	-	-	-	-	10,769,973	-	10,769,973
Other comprehensive income (loss) for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	(170,531)	-	-	(170,531)
Total comprehensive income	-	-	-	-	(170,531)	10,769,973	-	10,599,442
As at December 31, 2012	**1,275,000,000**	-	-	-	**2,623,692**	**98,202,992**	-	**1,375,826,684**
Issuance during the year	6,130,263,564	9,634,644,229	-	-	-	-	-	15,764,907,793
Acquisition of treasury stocks	-	-	(244,757,527)	-	-	-	-	(244,757,527)
Effect of business combination	-	-	-	(20,040,996)	-	20,459,203,980	-	20,439,162,984
Non-controlling interest from business combination	-	-	-	-	-	-	13,730,045,461	13,730,045,461
	6,130,263,564	9,634,644,229	(244,757,527)	(20,040,996)	-	20,459,203,980	13,730,045,461	49,689,358,711
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	2,482,546,969	1,248,658,540	3,731,205,509
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	1,941,770	-	-	1,941,770
Remeasurement gains on defined benefit liability - net of tax	-	-	-	17,520,506	-	-	14,967,805	32,488,311
Total comprehensive income	-	-	-	17,520,506	1,941,770	2,482,546,969	1,263,626,345	3,765,635,590
As at December 31, 2013	**7,405,263,564**	**9,634,644,229**	**(244,757,527)**	**(2,520,490)**	**4,565,462**	**23,039,953,941**	**14,993,671,806**	**54,830,820,985**
Effect of business combination	-	-	-	**(28,439,694)**	-	**(123,658,659)**	-	**(152,098,353)**
Acquisition of treasury stocks	-	-	**(7,863,092)**	-	-	-	-	**(7,863,092)**
Non-controlling interest from business combination	-	-	-	-	-	-	**231,990,594**	**231,990,594**
Cash dividends	-	-	-	-	-	**(1,017,201,600)**	**(406,661,742)**	**(1,423,863,342)**
	-	-	**(7,863,092)**	**(28,439,694)**	-	**(1,140,860,259)**	**(174,671,148)**	**(1,351,834,193)**
Total comprehensive income (loss)								
Net income for the year	-	-	-	-	-	**4,026,866,478**	**2,208,635,161**	**6,235,501,639**
Other comprehensive loss for the year:								
Reserve for fluctuations in value of available-for-sale financial assets	-	-	-	-	**2,366,956**	-	-	**2,366,956**
Remeasurement losses on defined benefit liability - net of tax	-	-	-	**(18,833,250)**	-	-	**(19,257,800)**	**(38,091,050)**
Total comprehensive income	-	-	-	**(18,833,250)**	**2,366,956**	**4,026,866,478**	**2,189,377,361**	**6,199,777,545**
As at December 31, 2014	**P7,405,263,564**	**P9,634,644,229**	**(P252,620,619)**	**(P49,793,434)**	**P6,932,418**	**P25,925,960,160**	**P17,008,378,019**	**P59,678,764,337**

See Notes to the Consolidated Financial Statements.

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

	Note	Years Ended December 31		
		2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P8,689,019,191**	P5,082,352,623	P10,789,271
Adjustments for:				
Depreciation and amortization	*12, 13, 14*	**1,459,550,996**	693,065,110	487,529
Interest expense	*17, 18*	**286,043,223**	28,550,079	-
Retirement benefits cost	*27*	**80,223,585**	52,152,980	1,275,708
Unrealized foreign exchange loss		**48,073,684**	847,376	601,891
Gain on disposal of property and equipment		**370,329**	-	(465,995)
Gain on sale of available-for-sale financial assets		**(451,588)**	-	(9,517,791)
Unrealized loss in trading securities	*8, 25*	**(8,581,093)**	6,079,145	-
Gain on insurance claim	*25*	**(26,143,753)**	-	-
Dividend income		**(26,752,127)**	-	(1,307,078)
Interest income	*4, 5*	**(182,061,951)**	(17,614,984)	(16,362,524)
Provision for unrecoverable deferred mineral exploration costs	*24*	**-**	32,648,397	3,526,579
Operating income (loss) before changes in working capital		**10,319,290,496**	5,878,080,726	(10,972,410)
Decrease (increase) in:				
Receivables		**(2,503,178,285)**	(679,453,906)	(1,512,215)
Investments in trading securities		**-**	(11,310,914)	-
Merchandise inventory		**(3,566,967,177)**	(1,632,301,197)	-
Prepaid expenses and other current assets		**538,067,960**	118,077,637	(856,978)
Due from related parties		**(18,044,438)**	-	-
Increase (decrease) in:				
Accounts payable and accrued expenses		**237,279,251**	2,249,360,421	412,980
Trust receipts payable		**(16,543,219)**	10,249,789	-
Due to related parties	*26*	**(5,847,677)**	(476,442,653)	-
Other noncurrent liabilities		**935,621,966**	217,175,717	-
Cash generated from (absorbed by) operations		**5,919,678,877**	5,673,435,620	(12,928,623)
Income taxes paid		**(2,358,955,450)**	(1,002,084,268)	(356,157)
Interest paid		**(252,082,823)**	(28,550,079)	-
Net cash provided by (used in) operating activities		**3,308,640,604**	4,642,801,273	(13,284,780)

Forward

	Note	2014	2013	2012
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of short-term investments		**P500,000,000**	P2,780,681,316	P -
Interest received		**155,505,597**	17,614,984	-
Proceeds from deposit for future subscriptions in a subsidiary		**150,313,060**	-	-
Dividends received		**26,752,127**	-	1,307,078
Proceeds from insurance claim		**26,143,753**	-	-
Proceeds from disposal of property and equipment		**16,812,032**	-	742,500
Additions to intangibles	*14*	**(33,220,300)**	(199,463,156)	-
Additions to investment properties	*13*	**(230,891,230)**	(228,600,328)	-
Additions to investments	*11*	**(472,289,945)**	(439,775,237)	-
Additions to short-term investments	*5*	**(824,078,115)**	(537,152,133)	(139,090,000)
Additions to property and equipment	*12*	**(1,994,235,405)**	(1,908,346,688)	(38,635)
Effect of business combination		**(2,287,583,949)**		
Acquisition of subsidiaries		**(2,856,834,529)**	-	-
Decrease (increase) in Deferred cost		**(339,236)**	-	344,998
Increase in Other noncurrent assets		**(1,413,258,392)**	(33,680,465)	(10,995)
Proceeds from sale of available-for-sale financial assets	*9*	**-**	33,223,435	159,517,791
Decrease in oil and mineral exploration		**-**	31,328,609	16,362,524
Net cash provided by (used in) investing activities		**(9,237,204,532)**	(484,169,663)	39,135,261
CASH FLOWS FROM FINANCING ACTIVITIES				
Availment of long-term loans		**6,450,000,000**	-	-
Availment of short-term loans	*18*	**1,750,600,000**	3,448,881,500	-
Buyback of capital stocks		**(7,863,092)**	-	-
Contribution paid on plan assets		**(25,000,000)**	-	-
Payment for debt issue costs		**(42,715,758)**	-	-
Cash dividends paid		**(508,022,707)**	-	-
Payment of short-term loans payable		**(703,500,000)**	-	-
Proceeds from issuance and subscriptions of capital stock		**-**	12,000,000,000	433,443,473
Payment of long-term loans payable	*18*	**-**	(5,000,000,000)	-
Payments for share issue costs		**-**	(861,221,146)	-
Net cash provided by financing activities		**6,913,498,443**	9,587,660,354	433,443,473
EFFECT OF EXCHANGE RATE CHANGES ON CASH		**(48,073,684)**	(847,376)	(601,891)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**936,860,831**	13,745,444,588	458,692,063
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*4*	**14,744,149,987**	998,705,399	540,013,336
CASH AND CASH EQUIVALENTS AT END OF YEAR	*4*	**P15,681,010,818**	P14,744,149,987	P998,705,399

See Notes 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.

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

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

On December 11, 2012, in a special meeting, the stockholders approved the amendment of the Parent Company's articles of incorporation to increase its authorized capital stock and par value from P3 billion divided into 300 billion common shares at a par value of P0.01 per share to P10 billion divided into 10 billion common shares at a par value of P1 per share. On the same meeting, the stockholders resolved to change the name of the Parent Company from Alcorn Gold Resources Corporation into Cosco Capital, Inc. and to reorganize and spin-off its oil and mineral assets and operations into a wholly-owned subsidiary.

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

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

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

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

	Percentage of Ownership	
	2014	2013
Puregold Price Club, Inc. and Subsidiaries (PPCI)	**51**	51
Montosco, Inc. (Montosco)	**100**	100
Meritus Prime Distributions, Inc. (Meritus)	**100**	100
Premier Wine and Spirits, Inc. (Premier)	**100**	100
Nation Realty, Inc. (NRI) [(1)]	**100**	100
SVF Corporation (SVFC) [(1)]	**-**	100
Go Fay & Co., Incorporada (GFCI) [(1)]	**-**	100
118 Holdings, Inc. (118)	**100**	100
Patagonia Holdings Corp. (PHC)	**100**	100
Ellimac Prime Holdings, Inc. (EPHI)	**100**	100
Fertuna Holdings Corp. (FHC)	**100**	100
Pure Petroleum Corp. (PPC)	**100**	100
Alcorn Petroleum and Minerals Corporation (APMC)	**100**	100
NE Pacific Shopping Centers Corporation (NPSCC) [(2)]	**100**	-
Office Warehouse, Inc. (OWI) [(3)]	**100**	-
Canaria Holdings Corporation (CHC) [(4)]	**90**	-
Liquigaz Philippines Corporation (LPC) [(4)]	**90**	-
Calor Philippines Holdings, Inc. CPHI) [(4)]	**90**	-

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

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

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

(4) *Acquired on August 4, 2014.*

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

	December 31, 2014
	PPCI
Non-controlling interest percentage	49%
Current assets	P20,481,245,243
Noncurrent assets	33,185,150,452
Current liabilities	(13,835,055,296)
Noncurrent liabilities	(5,597,845,730)
Net assets	34,233,494,669
Carrying amount of non-controlling interests	P16,774,412,388
Revenue	P87,535,743,778
Net income for the year	4,520,457,686
Other comprehensive income	(39,441,493)
Total comprehensive income	P4,481,016,193
Net income allocated to noncontrolling interest	P2,195,697,935
Other comprehensive income allocated to non-controlling interests	(19,326,332)
Cashflow from operating activities	3,584,139,896
Cashflow from investing activities	(1,745,621,819)
Cashflow from financing activities	(378,821,525)
Net increase in cash	P1,459,696,552

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

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

	Percentage of Ownership	
Subsidiaries	**2014**	2013
Kareila Management Corporation (KMC)	**100**	100
PPCI Subic, Inc. (PSI)	**100**	100
Company E Corporation (Company E)	**100**	100
Entenso Equities Incorporated (Entenso)	**100**	100

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

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

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

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

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

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

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

Ellimac Prime Holdings, Inc.
Incorporated and registered with the SEC on December 10, 2001. It is principally involved in real estate leasing.

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

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

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

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

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

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

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

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

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

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

	December 31, 2014
	Canaria
Non-controlling interest percentage	10%
Current assets	P2,927,805
Noncurrent assets	3,528,491,753
Current liabilities	(3,526,532,060)
Noncurrent liabilities	-
Net assets	4,887,498
Carrying amount of non-controlling interests	P488,750
Revenue	P2,501
Net income for the year	(102,002)
Other comprehensive income	-
Total comprehensive loss	(P102,002)
Net income allocated to noncontrolling interest	(P10,200)
Other comprehensive income allocated to non-controlling interests	-
Cashflow from operating activities	(3,529,679,346)
Cashflow from investing activities	-
Cashflow from financing activities	3,531,155,160
Net increase in cash	P1,475,814

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

On July 21, 2014, PR Gaz, Inc. entered into an agreement with CHC to sell all of its rights, interest and title in LPC. CHC acquired the Eight Hundred Twenty Six Thousand Five Hundred Thirty (826,530) shares or 100% of the issued and outstanding share capital of LPC. Consequently, CHC became the parent company of LPC which made it 90% - owned by Cosco.

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

	December 31, 2014
	LPC
Non-controlling interest percentage	10%
Current assets	P2,360,840,056
Noncurrent assets	1,322,131,764
Current liabilities	(1,324,076,732)
Noncurrent liabilities	(28,307,621)
Net assets	2,330,587,467
Carrying amount of non-controlling interests	P233,058,747
Revenue	P18,955,724,149
Net income for the year	383,493,609
Other comprehensive income	685,318
Total comprehensive income	P384,178,927
Net income allocated to noncontrolling interest	P38,349,361
Other comprehensive income allocated to non-controlling interests	68,532
Cashflow from operating activities	704,363,970
Cashflow from investing activities	(116,378,618)
Cashflow from financing activities	(271,297,396)
Net increase in cash	P316,687,956

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

CPHI's capital stock was 60% owned by Supralex Asia Ventures Trading, Inc or "Supralex", a domestic company, and 40% owned by SHV Calor Asia BV or "SHV Calor", as represented by Liquigaz Philippines Corporation (LPC) whose ultimate parent company is SHV Holdings N.V., a Dutch company.

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

On July 15, 2014, Supralex entered into an agreement with CHC to sell all its rights, title, and interest in CPHI. Supralex owned Thirty six thousand seventy five (36,075) share capital which represents sixty percent (60%) equity of CPHI. Consequently, CHC became the parent company of CPHI that made it 90% - indirectly owned by Cosco.

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

	December 31, 2014
	Calor
Non-controlling interest percentage	10%
Current assets	P23,692
Noncurrent assets	37,700,432
Current liabilities	(31,275,248)
Noncurrent liabilities	(4,661,464)
Net assets	1,787,412
Carrying amount of non-controlling interests	P178,741
Revenue	P2,403,399
Net income for the year	1,709,540
Other comprehensive income	-
Total comprehensive income	P1,709,540
Net income allocated to noncontrolling interest	P170,954
Other comprehensive income allocated to non-controlling interests	-
Cashflow from operating activities	-
Cashflow from investing activities	-
Cashflow from financing activities	-
Net increase (decrease) in cash	P -

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

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

2. Basis of Preparation

Statement of Compliance

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

The accompanying consolidated financial statements were approved and authorized for issuance by the BOD on March 13, 2015.

Basis of Consolidation

Business Combinations Under Common Control

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

Business Combinations other than Under Common Control

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

The Group measures goodwill at the acquisition date as:

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

Subsidiaries

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

Non-controlling Interests

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

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

Transactions Eliminated on Consolidation

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

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

Basis of Measurement

The Group's consolidated financial statements have been prepared on the historical cost basis of accounting, except for investments in trading securities and 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 Fair Value
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or in the most advantageous market for the asset or liability. The principal or most advantageous market must be accessible to the Group.

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: inputs for the asset or liability that are not based on observable market data.

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

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

The fair values of the Group's financial instruments are presented in Note 33 to the consolidated financial statements.

Determination of Significant Influence
The Group's non-voting equity interest in San Roque Supermarkets (SRS) is accounted and classified as AFS financial asset due to the absence of significant influence in accordance with paragraphs 5-6 of PAS 28, *Investments in Associate.*

Following are the factors evaluated by the Group in determining whether it has significant influence:

(a) representation on the board of directors or equivalent governing body of the investee;

(b) participation in policy-making processes, including participation in decisions about dividends or other distributions;

(c) material transactions between the entity and its investee;

(d) interchange of managerial personnel; or

(e) provision of essential technical information.

The investment is carried at cost since the fair value cannot be determined reliably in the absence of any observable market data on such investment. As at December 31, 2014 and 2013, the cost of the Group's investment amounted to P398.78 million and P379.78 million, respectively.

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

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

As at December 31, 2014 and 2013, the cost of its investments in joint ventures amounted to P450.46 million and P60.00 million, respectively.

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

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

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

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

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

Rent expense recognized in profit or loss amounted to P1.67 billion, P803.1 million and P0.9 million in 2014, 2013, and 2012, respectively (see Notes 21, 22 and 24).

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

Rent income recognized in profit or loss amounted to P1.7 billion, P1.3 billion and nil in 2014, 2013 and 2012, respectively (see Notes 22 and 23).

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

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

The allowance for impairment losses on receivables amounted to P164.5 million and P20.6 million as at December 31, 2014 and 2013. The carrying amount of receivables amounted to P5.3 billion and P2.8 billion as at December 31, 2014 and 2013, respectively (see Note 6).

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

If all of the declines in fair value below cost were considered significant or prolonged, the Group would suffer an additional loss by transferring the accumulated fair value adjustments recognized in equity on the impaired AFS financial assets to profit or loss. As at December 31, 2014 and 2013, management believes that changes in fair values as quoted in the market of traded securities remain temporary. Accordingly, no permanent impairment is required to be recognized.

Estimating Net Realizable Value (NRV) of 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 P13.9 billion and P10.4 billion as at December 31, 2014 and 2013, respectively (see Note 7).

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

In addition, the estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. It is possible, however, that future results of operations could be materially affected by changes in estimates brought about by changes in factors mentioned above. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances. A reduction in the estimated useful lives of property and equipment would increase recorded operating expenses and decrease noncurrent assets.

Depreciation and amortization recognized in profit or loss amounted to P1.32 billion and P635.0 million in 2014 and 2013, respectively (see Note 21 and 24). Property and equipment, net of accumulated depreciation, amounted to P15.29 billion and P13.48 billion as at December 31, 2014 and 2013, respectively (see Note 12).

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

Amortization recognized in profit or loss amounted to P13.9 million and P10.4 million in 2014 and 2013, respectively. Net carrying value of computer software and licenses and leasehold rights amounted to P235.2 million and P210.4 million as at December 31, 2014 and 2013, respectively (see Note 14).

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

The carrying amounts of goodwill, trademark and customer relationships with indefinite useful lives amounted to P20.7 billion as at December 31, 2014 and 2013 (see Note 14).

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

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

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

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

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

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

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

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

The Group has recognized deferred tax assets amounting to P120.3 million and P52.9 million as at December 31, 2014 and 2013, respectively (see Note 28).

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

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

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

Retirement benefits liability amounted to P433.4 million and P293.0 million as at December 31, 2014 and 2013, respectively (see Note 27).

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

As at December 31, 2014 and 2013, 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

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. The new standards and amendments which are relevant and applicable to the Group are listed below. However, the Group has not applied these new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

- *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.

- *Measurement of short-term receivables and payables (Amendment to PFRS 13).* Amendment to PFRS 13 is part of the Annual Improvements to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective 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 of 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.

- *Annual Improvements to PFRSs: 2010 - 2012 and 2011 - 2013 Cycles* - Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40. The following are the said improvements or amendments to PFRSs, none of which has a significant effect on the consolidated financial statements of the Group:

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

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

Effective January 1, 2016

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

Effective January 1, 2018

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

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

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

Financial Instruments

Date of Recognition

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

Initial Recognition of Financial Instruments

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

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

The Group had no HTM investments and FVPL financial liabilities as at December 31, 2014 and 2013.

Financial Assets at FVPL

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

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

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recognized.

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

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

The carrying amounts of financial assets under this category amounted to P37.4 million and P28.9 million as at December 31, 2014 and 2013, respectively (see Note 8).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

Property and Equipment

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

Initially, an item of property and equipment is measured at its cost, which comprises its purchase price and any directly attributable costs of bringing the asset to the location and condition for its intended use. Subsequent expenditures are added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance, will flow to the Group. All other subsequent expenditures are recognized in profit or loss.

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

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

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

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

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

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

Investment Properties

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

Construction-in-progress is carried at cost and transferred to the related investment property account when the construction and related activities to prepare the property for its intended use are complete, and the property is ready for occupation.

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

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

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

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

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

Intangible Assets and Goodwill

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see policy on basis of consolidation. Goodwill is subsequently measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

Intangible Assets

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

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

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

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

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

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

Deferred Oil and Mineral Exploration Costs

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

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

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

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

Impairment of Assets

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

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

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

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

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

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

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

All impairment losses are recognized in profit or loss.

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

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

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

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

Employee Benefits

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

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

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

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

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

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

Deposits for Future Stocks Subscription

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

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Treasury Stock

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

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.

- *Sale of Services*

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

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

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

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

  Interest Income is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount on initial recognition. Interest income is presented net of final tax.

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

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

Cost of Sales

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

Cost of Services

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

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

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

Borrowing Costs

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

Income Taxes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related Parties

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

Foreign Currency Transactions and Translation

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

Segment Reporting

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

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

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

Provisions and Contingencies

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

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

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

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

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

4. Cash and Cash Equivalents

This account consists of:

	Note	**2014**	2013
Cash on hand		**P1,326,831,502**	P720,101,890
Cash in banks	*32, 33*	**2,877,998,722**	2,349,103,633
Money market placements	*32, 33*	**11,476,180,594**	11,674,944,464
		P15,681,010,818	P14,744,149,987

Cash in banks earns annual interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subjected to insignificant risk of changes in value. These investments have maturity dates of an average of 30 days with an annual interest rates ranging from 1.00% to 2.30% in 2014 and from 1.00% to 2.80% in 2013.

5. Short-term Investments

These short-term investments are placements with a commercial banking institution, with maturity of more than 90 days. The Group, primarily the Retail and Real Estate segments, engage in investing activities in order to maximize earnings on available cash funds. These investments earn annual interest at the prevailing market rate of 1.625% to 1.85% in 2014 and 1.85% in 2013.

Subsidiaries that are engaged in investing activities are as follows:

	Note	**2014**	2013
Puregold Price Club, Inc. and Subsidiaries		**P -**	P500,000,000
Nation Realty Realty, Inc.		**472,361,589**	-
Patagonia Holdings, Corp.		**204,379,143**	-
Ellimac Prime Holdings, Inc.		**75,498,968**	-
118 Holdings, Inc.		**71,838,415**	-
	32, 33	**P824,078,115**	P500,000,000

6. Receivables

This account consists of:

	Note	**2014**	2013
Trade receivables	*a*	**P4,611,226,154**	P1,846,893,138
Non-trade receivables	*b*	**676,649,276**	802,192,566
Others		**198,568,313**	190,303,942
		5,486,443,743	2,839,389,646
Less allowance for impairment losses on trade receivables from third parties	*a*	**164,457,192**	20,581,380
	32, 33	**P5,321,986,551**	P2,818,808,266

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 P164.5 million and P20.6 million as at December 31, 2014 and 2013 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:

	2014	2013
Beginning balance	**P20,581,380**	P13,119,053
Effect of business combination	**193,433,835**	-
Impairment losses recognized during the year	**6,371,835**	7,462,327
Write-off during the year	**(55,929,858)**	-
Ending balance	**P164,457,192**	P20,581,380

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

7. 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 basis.

Inventory cost as at December 31, 2014 and 2013 is lower than NRV.

The Group's merchandise inventory as at December 31, 2014 and 2013 amounted to P13.9 billion and P10.4 billion, respectively (see Note 21).

Inventory charged to the cost of sales amounted to P70.2 billion, P60.5 billion and P48.2 billion, in 2014, 2013 and 2012, respectively (see Note 21).

8. Investments in Trading Securities

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

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

Cost	*Note*	**2014**	2013
Balance at beginning of year		**P14,518,906**	P -
Effect of business combination during the year		-	14,518,906
Balance at end of year		**14,518,906**	14,518,906
Valuation Adjustments			
Balance at beginning of year		**14,348,470**	-
Effect of business combination during the year		-	20,427,615
Unrealized valuation gain (loss) on financial assets at FVPL for the year	*25*	**8,581,093**	(6,079,145)
Balance at end of year		**22,929,563**	14,348,470
	32, 33	**P37,448,469**	P28,867,376

9. Available-for-sale Financial Assets

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

	Note	**2014**	2013
Investment in debt securities		**P6,363,758**	P5,918,335
Investment in shares of stock		**7,913,266**	5,540,145
	32,33	**P14,277,024**	P11,458,480

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

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

Reserve for changes in value of AFS financial assets amounted to P6.9 million and P4.6 million as at December 31, 2014 and 2013, respectively.

In 2013, investments in marketable securities amounting to P26.7 million were redeemed and subsequently advanced to the subsidiaries for the full payment of their outstanding loans.

10. Prepaid Expenses and Other Current Assets

This account consists of:

	2014	2013
Input value added tax (VAT)	**P457,008,801**	P1,253,476,297
Prepaid expenses	**342,350,732**	355,250,194
Advances to suppliers	**211,920,443**	29,444,641
Creditable withholding tax	**90,062,840**	10,476,421
Deferred input VAT	**30,643,394**	16,085,198
Others	**32,928,139**	38,249,558
	P1,164,914,349	P1,702,982,309

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

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

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

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

11. Investments

This account consists of:

	Note	**2014**	2013
Investments in joint ventures	*b*	**P450,455,093**	P60,000,000
AFS financial assets	*a, 32, 33*	**398,776,037**	379,775,237
Investment in associate	*c*	**62,834,052**	-
		P912,065,182	P439,775,237

a. *AFS Financial Assets*

Retail Segment

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

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

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

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

b. *Investments in Joint Ventures*

Retail

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

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

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

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

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

  The redeemable preferred shares shall have the following features:

  (a) Voting rights;

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

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

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

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

The summarized financial information of PLCI follows:

	2014*
Total assets	P352,917,358
Total liabilities	7,968,993
Total equity	344,948,365
Income	412
Pre-operating expenses	5,052,047
Net loss	5,051,635

*Incorporated on June 12, 2014.

The summarized financial information of Ayagold follows:

	2014	2013
Total assets	P88,257,764	P120,107,725
Total liabilities	2,805,466	2,770,672
Total equity	85,452,298	117,337,053
Income	506,607	77,500
Pre-operating expenses	35,054,309	2,740,447
Net loss	(34,547,702)	(2,662,947)

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

	2014	2013
Carrying amount	P60,000,000	P60,000,000
Share in net loss	(17,273,851)	-
	P42,726,149	P60,000,000

Specialty Retail

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

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

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

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

	2014
Balance at beginning of year	**P56,684,154**
Share in net results	**(1,055,434)**
Adjustments	**2,100,224**
Balance at end of year	**P57,728,944**

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

	2014
Assets	**P115,744,439**
Liabilities	**4,538,865**
Net Assets	**111,205,574**
Revenues	**22,000,000**
Net loss	**(2,110,868)**

c. *Investment in Associate*

Specialty Retail

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

LPC accounted its investment in PLBRC under equity method .

The carrying amount of LPC's investment and its share in results of PLBRC in December 31, 2014 are presented below:

	2014
Balance at beginning of year	P23,531,355
Share in net results	1,602,265
Balance at end of year	P25,133,620

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

	2014
Assets	P146,025,205
Liabilities	20,357,102
Net Assets	125,668,103
Revenues	60,000,000
Net income	8,011,329

Holding

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

	2014
Acquisition Cost	**P22,958,280**
Accumulated share in results	
January 1	12,338,753
Share in net results for the year	2,403,399
December 31	14,742,152
	P37,700,432

12. Property and Equipment

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

	Building	Furniture and Fixtures	Office and Store Equipment	Leasehold Improvements	Land	Construction in Progress	Transportation Equipment	Wells, Platforms and Other Facilities	Storage Tanks	Total
Cost										
Balance, December 31, 2012	P -	P -	P1,973,000	P206,115	P -	P -	P3,939,859	P204,955,281	P -	P211,074,255
Additions/effect of business combination	3,133,702,847	1,000,987,413	2,106,566,562	2,940,732,175	378,478,578	1,366,514,574	272,453,474	-	520,352,787	11,719,788,410
Transfer-in	(2,313)	9,545,134	28,783,723	18,443,731	-	-	-	-	-	56,770,275
Reclassifications	446,413,051	112,948	(546,902)	991,484,454	-	(1,437,463,550)	(223,441)	-	-	(223,440)
Additions	321,524,224	240,552,483	805,899,854	378,374,622	8,127,241	441,028,813	1,576,357	-	-	2,197,083,594
Adjustments	1,463	16,428,193	(17,555,499)	24,720	-	-	-	-	-	(1,101,123)
Disposals/retirements	-	(17,545)	(2,289,593)	-	-	-	-	-	-	(2,307,138)
Balance, December 31, 2013	3,901,639,272	1,267,608,626	2,922,831,145	4,329,265,817	386,605,819	370,079,837	277,746,249	204,955,281	520,352,787	14,181,084,833
Additions/effect of business combination	1,201,870,657	219,145,893	175,774,351	95,646,249	-	2,235,446	101,508,962	-	902,580,875	2,698,762,433
Reclassifications	220,492,401	(2,162,566)	101,273,599	518,987,887	-	(831,983,518)	-	-	(6,607,803)	-
Additions	84,632,107	243,242,282	546,163,949	429,762,727	-	646,608,983	14,564,315	-	38,130,043	2,003,104,406
Adjustments	-	(8,844,135)	(24,866)	-	-	-	-	-	-	(8,869,001)
Disposals/retirements	(2,321,429)	(5,401,285)	(21,770,172)	(47,278,384)	-	-	(7,367,632)	-	(7,066,822)	(91,205,724)
Balance, December 31, 2014	**5,406,313,008**	**1,713,588,815**	**3,724,248,006**	**5,326,384,296**	**386,605,819**	**186,940,748**	**386,451,894**	**204,955,281**	**1,447,389,080**	**18,782,876,947**
Accumulated Depreciation and Amortization										
Balance, December 31, 2012	-	-	1,933,315	206,115	-	-	3,638,901	44,917,503	-	50,695,834
Transfer-in	(2,313)	1,856,062	6,372,105	8,768,792	-	-	-	-	-	16,994,646
Adjustments	2,311	4,183,280	(4,404,336)	(58,222)	-	-	-	-	-	(276,967)
Depreciation and amortization	78,082,428	78,908,670	330,937,920	115,126,656	-	-	19,456,052	-	12,410,458	634,922,184
Disposals/retirements	-	(3,743)	(1,962,165)	-	-	-	-	-	-	(1,965,908)
Balance, December 31, 2013	78,082,426	84,944,269	332,876,839	124,043,341	-	-	23,094,953	44,917,503	12,410,458	700,369,789
Additions/effect of business combination	806,659,930	177,961,432	127,153,080	36,237,103	-	-	70,952,904	-	330,306,942	1,549,271,391
Adjustments	207,103	(628,085)	(131,360)	552,342	-	-	-	-	-	-
Depreciation and amortization	178,478,923	155,922,670	674,961,548	259,470,832	-	-	10,893,832	-	42,343,096	1,322,070,901
Disposals/retirements	(45,138)	(3,027,315)	(18,167,738)	(47,278,326)	-	-	(4,676,214)	-	(828,632)	(74,023,363)
Balance, December 31, 2014	**1,063,383,244**	**415,172,971**	**1,116,692,369**	**373,025,292**	**-**	**-**	**100,265,475**	**44,917,503**	**384,231,864**	**3,497,688,718**
Carrying Amount										
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
December 31, 2014	**P4,342,929,764**	**P1,298,415,844**	**P2,607,555,637**	**P4,953,359,004**	**P386,605,819**	**P186,940,748**	**P286,186,419**	**P160,037,778**	**P1,063,157,216**	**P15,285,188,229**

Depreciation and amortization charged to profit and loss:

	Note	**2014**	2013
Cost of sales and services		**P111,215,314**	P49,195,820
Operating expenses	*24*	**1,213,332,441**	585,726,364
		P1,324,547,755	P634,922,184

No impairment loss was recognized in both years.

13. Investment Properties - net

This account consists of:

	Building	Land	Construction-in-progress	Total
Cost				
Effect of business combination	P4,704,268,005	P6,742,811,023	P54,471,693	P11,501,550,721
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
Effect of business combination	626,631,609	218,089,124	1,178,570	845,899,303
Reclassifications	616,071	-	(616,071)	-
Additions	112,077,392	25,655,093	93,158,745	230,891,230
Fair value adjustment	-	523,436,536	-	523,436,536
Balance, December 31, 2014	**5,484,284,568**	**7,491,564,276**	**354,529,274**	**13,330,378,118**
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
Effect of business combination	374,590,274	-	-	374,590,274
Depreciation and amortization	123,724,595	-	-	123,724,595
Balance, December 31, 2014	**556,481,227**	**(23,432)**	-	**556,457,795**
Carrying Amount				
December 31, 2013	P4,686,793,138	P6,724,406,955	P260,808,030	P11,672,008,123
December 31, 2014	**P4,927,803,341**	**P7,491,587,708**	**P354,529,274**	**P12,773,920,323**

As at December 31, 2014 and 2013, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. Fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction.

Fair value adjustment pertains to the difference of book value and fair market value of the investment properties of NPSCC. As at December 31, 2014 and 2013, the aggregate fair values of NPSCC's properties amounted to P995.6 million in both years. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches (see Note 14).

The rental income earned by the Group from these properties amounted to P1.3 billion and P1.1 billion in 2014 and 2013, respectively (see Note 23).

Direct costs incurred pertaining to the lease of these properties for the years ended December 31, 2014 and 2013 amounted to P881.9 million and P320.8 million, respectively (see Note 21).

14. Intangibles and Goodwill - net

This account consists of:

	Note	**2014**	2013
Goodwill	*a*	**P16,060,828,616**	P13,191,340,917
Trademark	*b*	**3,709,660,547**	3,709,660,547
Customer relationship	*b*	**889,452,981**	889,452,981
Computer software and licenses - net	*c*	**165,269,918**	136,713,077
Leasehold rights	*c*	**69,952,547**	73,720,297
		P20,895,164,609	P18,000,887,819

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

2012		
Puregold Junior Supermarket, Inc. (PJSI)	*a.1*	P11,370,121
Kareila	*a.2*	12,079,473,835
Gant Group of Companies Incorporated (Gant)	*a.3*	742,340,804
		12,833,184,760
2013		
Merger of PJSI and Gant to PPCI	*a.4*	4,142
Company E	*a.5*	358,152,015
		13,191,340,917
2014		
NPSCC	*a.6*	**457,304,121**
OWI	*a.7*	**886,891,054**
LPC	*a.8*	**1,473,850,963**
CHC	*a.9*	**9,450**
CPHI	*a.10*	**51,432,111**
		P16,060,828,616

The Group used provisionary fair values of the identifiable net assets in calculating the goodwill of the newly-acquired entities in 2014 as at the acquisition date. Upon finalization of the purchase price allocation exercise in 2015, the Group will restate the amounts of the net assets acquired, non-controlling interest and goodwill, in accordance with PFRS 3.

Details are as follows:

a.1. Acquisition of PJSI

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

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

a.2. Acquisition of Kareila

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

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

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

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

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

a.3. Acquisition of Gant

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

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

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

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

a.4. Merger of PJSI and Gant

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

a.5. Acquisition of Company E

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

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

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

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

a.6. Acquisition of NPSCC

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

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

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

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

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

a.7. Acquisition of OWI

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

Current assets	P219,224,557
Noncurrent assets	108,198,876
Current liabilities	(126,314,487)
Total identifiable net assets at fair value	**P201,108,946**

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

Cash consideration transferred	P1,088,000,000
Fair value of net assets	(201,108,946)
Goodwill	**P886,891,054**

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

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

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

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

In 2014, OWI paid a tax deficiency amounting to P28.8 million, which was automatically deducted from the P50 million that will be due in January 2015.

a.8. Acquisition of LPC

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

Current assets	P2,412,058,244
Noncurrent assets	1,288,719,210
Current liabilities	(1,446,223,573)
Noncurrent liabilities	(27,220,776)
Total identifiable net assets at fair value	**P2,227,333,105**

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

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

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

a.9. Acquisition of Canaria

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

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

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

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

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

a.10. Acquisition of Calor

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

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

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

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

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

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

b. *Trademark and Customer Relationships*

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

Impairment of goodwill, trademark and customer relationship

The recoverable amount of goodwill, trademark and customer relationship has been determined based on value in use (VIU), using cash flow projections covering a five-year period. It is based on a long range plans approved by management. The VIU is based on a 2% terminal growth rate and discount rate of 10%. The terminal growth rate used is consistent with the long-term average growth rate for the Group's industry. The discount rate is based on the weighted average cost of capital (WACC) by taking into consideration the debt equity capital structure and cost of debt of comparable companies and cost of equity based on appropriate market risk premium. The financial projection used in the VIU is highly dependent on the gross sales and gross profit margin. For purposes of growth rate sensitivity, a growth rate scenario of 2% and 3% is applied on the discounted cash flow analysis. Based on the sensitivity analysis, any reasonably possible change in the key assumptions would not cause the carrying amount of goodwill, trademark and customer relationship to exceed its recoverable amount.

Management assessed that there is no impairment in the value of goodwill, trademark and customer relationship as at December 31, 2014 and 2013.

c. *Leasehold Rights and Computer Software and Licenses*

On January 25, 2013, the Group executed a memorandum of agreement with various lessors, namely, BHF Family Plaza, Inc. (BHF), Lim Y-U Group, Inc., and R&A Malvar Trading Company, Inc. which paved the way for the establishment of five (5) Puregold stores previously owned and operated by these lessors. Under the agreement, the lessors agreed to sell to the Group all merchandise inventories, equipment, furniture and fixtures as well as granting of rights to lease the buildings owned by each lessor for a period of twenty (20) years upon compliance of the conditions set forth in the memorandum of agreement. As a result of the transaction, the Group recognized leasehold rights representing the excess of cost paid over the fair value of all assets acquired which will be amortized on a straight-line basis over the lease period.

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

	Computer Software	Leasehold Rights	Total
Cost			
Balance, January 1, 2013	P117,791,443	P -	P117,791,443
Additions	73,358,134	75,355,005	148,713,139
Transfer in	13,133,610	-	13,133,610
Balance, December 31, 2013	204,283,187	75,355,005	279,638,192
Additions	34,334,229	-	34,334,229
Effect of business combination	29,635,522	-	29,635,522
Balance, December 31, 2014	**268,252,938**	**75,355,005**	**343,607,943**
Accumulated Amortization			
Balance, January 1, 2013	51,584,453	-	51,584,453
Amortization	8,748,369	1,634,708	10,383,077
Transfer in	7,237,288	-	7,237,288
Balance, December 31, 2013	67,570,110	1,634,708	69,204,818
Amortization	9,987,750	3,767,750	13,755,500
Effect of business combination	25,425,160	-	25,425,160
Balance, December 31, 2014	**102,983,020**	**5,402,458**	**108,385,478**
Carrying Amount			
December 31, 2013	P136,713,077	P73,720,297	P210,433,374
December 31, 2014	**P165,269,918**	**P69,952,547**	**P235,222,465**

15. Deferred Oil and Mineral Exploration Costs

This account consists of:

	Note	Participating Interest	2014	2013
I. Oil exploration costs:				
SC 14	*a*			
Block C2 (West Linapacan)		1.53%	**P53,647,271**	P53,595,432
Block D		5.84%	**8,011,133**	8,011,133
Block B1 (North Matinloc)		13.55%	**746**	746
			61,659,150	61,607,311
SC 6A	*b*			
Octon Block		0.50%	**16,560,191**	16,560,191
North Block		1.57%	**600,419**	600,419
			17,160,610	17,160,610
SC 51	*c*	9.32%	**32,817,032**	32,815,514
SC 6B (Bonita)	*d*	2.11%	**6,489,191**	6,304,904
Other oil projects			**527,340**	527,310
Balance at end of year			**39,833,563**	39,647,728
			118,653,323	118,415,649
II. Mineral exploration costs:				
Nickel project	*e, f*	100.00%	**19,208,048**	19,207,978
Anoling gold project	*g*	3.00%	**13,817,415**	13,817,326
Gold projects	*h*	100.00%	**12,932,166**	12,891,933
Cement project	*i*	100.00%	**9,603,218**	9,586,212
Other mineral projects	*j, k*		**382,338**	382,338
			55,943,185	55,885,787
Accumulated impairment losses for unrecoverable deferred mineral exploration costs:				
Balance at beginning of year			**(56,092,352)**	(23,443,955)
Impairment losses for the year			**-**	(32,648,397)
Balance at end of year			**(56,092,352)**	(56,092,352)
			(149,167)	(206,565)
III. Other deferred charges			**664,263**	620,099
			P119,168,419	P118,829,183

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

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

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

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

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

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

The Parent Company is still seeking the additional US$200,000 (peso equivalent: P8.8 million) as stated in provision (ii) of the above agreement for the computed oil reserves in excess of 65 million barrels as at December 31, 2012. As at December 31, 2014 and 2013, there were no further developments on the said project.

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

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

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

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

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

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

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

c.) SC 51 - East Visayan Basin

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

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

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

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

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

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

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

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

On July 2012, 102 line kilometers of seismic lines were completed by the seismic survey party in the North Block. The Seismic survey was completed under budget despite a month-long cessation of operation due to the military stand-off between China and the Philippines at the Scarborough Shoals. Initially-processed seismic lines disclosed very promising seismic features and more enhanced drilling target. The confidence of optimally locating the proposed Duhat-2 is now much higher.

Otto informed that its Board has already approved the drilling budget of $6,600,000 for next year's drilling program which is likely to occur during third quarter of 2013. A much larger rig is being sought for the drilling Duhat 2 to avoid the problem in Duhat 1/1A. So far, two serious drilling outfits heeded the call for rig by Otto.

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

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

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

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

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

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

As at December 31, 2014 and 2013, there were no further developments on the said project.

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

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

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

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

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

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

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

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

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

g.) MPSA Application No. 039-XIII - Gold Project Anoling, Agusan Del Sur
The project, located in Agusan del Sur, has an area of 204 hectares. In November 2005, the Parent Company executed a Mines Operating Agreement (MOA) with Phsamed Mining Corporation (PHSAMED) whereby the latter assumes operatorship of the Anoling Project, including, among others, all rights, duties and obligations of the Parent Company as previous operator of the Anoling Project. In return, PHSAMED seeks the approval of MPSA and complies with all the work obligation on the area. Moreover, the Parent Company receives 3% royalty and 10% net profit interest share before income tax, depreciation and amortization of up to P11 million. The agreement has an initial term of ten (10) years.

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

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

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

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

As at December 31, 2014 and 2013, there were no further developments on the said project.

h.) Exploration Permit Application No. 080 - Gold Project, Tinongdan Itogon, Benguet
As at December 31, 2012, all field activities and IP negotiations are suspended. The Parent Company is currently finding a solution to move the project forward and convince the big land owners to give their consent and complete the FPIC process. A final appeal for reinstatement has been lodged before the MGB Central office.

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

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

i.) MPSA No. 066-97-VIII - Cement Project, Isabel, Merida, Leyte
The MPSA was assigned last June 1997 and calls for the extraction of limestone as raw material for the manufacture of cement. The assignment is for 25 years with an option to extend for another 25 years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Other Noncurrent Assets

This account consists of:

	Note	**2014**	2013
Security deposits	*22, 32, 33*	**P1,240,131,409**	P884,090,991
Accrued rent income	*22*	**651,721,623**	20,062,609
Input VAT		**438,980,985**	-
Prepaid rent	*22*	**268,363,507**	291,504,455
Others		**10,215,248**	496,325
		P2,609,412,772	P1,196,154,380

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

17. Accounts Payable and Accrued Expenses

This account consists of:

	Note	**2014**	2013
Trade payables	*32,33*	**P10,229,399,448**	P7,823,695,249
Dividends payable	*32,33*	**509,178,893**	406,661,768
Withholding taxes payable and other statutory payables		**357,660,492**	180,815,023
Non-trade payables	*32,33*	**296,346,605**	2,232,834,108
Deferred rent income	*32,33*	**19,374,091**	19,963,684
Construction bonds	*32,33*	**5,928,037**	4,267,853
Accrued expense	*32, 33*		
Manpower agency services		**649,401,819**	509,042,511
Utilities		**353,771,768**	168,422,126
Rent		**117,586,347**	25,553,607
Brand promotions		**57,609,724**	38,737,871
Professional fees		**53,500,738**	45,673,000
Others	*32,33*	**123,471,504**	106,495,396
		P12,715,282,082	P11,562,162,196

The average credit period on purchases of certain goods from suppliers is 60 days. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame (see Note 32).

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

18. Loans Payable

As at December 31, 2014 and 2013, the Group has the following outstanding loans payable:

a. Short-term Loans Payable

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

Segment		*Note*	2014	2013
Liquor	Short-term note based on 2.375%	*i*	**P555,600,000**	P -
Specialty retail	Short-term note based on 2.375%	*i*	**340,000,000**	-
Retail	Short-term note based on 2.5%	*i*	**75,000,000**	403,500,000
Retail	Short-term note based on 2.75%	*i*	**780,000,000**	300,000,000
Retail	Short-term note based on 3.75%	*ii*	**508,500,000**	508,500,000
			P2,259,100,000	P1,212,000,000

i. The Group issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate	Principal
November 28, 2014	January 5, 2015	2.375	P340,000,000
December 29, 2014	March 27, 2015	2.375	238,000,000
December 1, 2014	January 5, 2015	2.375	171,600,000
November 24, 2014	February 23, 2015	2.375	82,000,000
November 26, 2014	February 24, 2015	2.375	64,000,000
November 6, 2014	February 4, 2015	2.5	75,000,000
November 19, 2014	February 17, 2015	2.75	300,000,000
July 14, 2014	January 9, 2015	2.75	250,000,000
November 14, 2014	December 15, 2015	2.75	230,000,000
			P1,750,600,000

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

ii. On July 25, 2013, the Group entered into an unsecured short-term loan amounting to P508.5 million with a local bank. On July 18, 2014, these loans matured and renewed for another year. The principal amount is payable annually and its related interest is at 3.75% and 2.75% per annum in 2014 and 2013, respectively.

b. Long-term Loans Payable

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

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

Movements in debt issuance costs are as follows:

	2014
Balance at beginning of year	P -
Debt issuance costs during the year	42,715,758
Amortization during the year	3,084,388
Balance at end of year	P39,631,370

Repayment Schedule

As at December 31, 2014, the annual maturities of loans payable are as follows:

Year	Gross Amount	Debt Issuance Cost	Net
2015	P50,000,000	P5,130,738	P44,869,262
2016	50,000,000	5,342,617	44,657,383
2017	50,000,000	5,566,298	44,433,702
2018	50,000,000	5,802,439	44,197,561
2019	50,000,000	6,051,734	43,948,266
More than 5 years	4,750,000,000	11,737,544	4,738,262,456
	P5,000,000,000	P39,631,370	P4,960,368,630

Financing of Capital Expenditures and Debt Obligations

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

Below are the terms of the loan facility:

Fixed-Rate Peso Corporate Notes

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

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

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

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

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

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

Interest expense from these loans recognized in profit or loss amounted to P170.5 million in 2014.

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

Segment	Unsecured Peso Denominated	Note	2014	2013
Retail	Fixed rate note based on 3.5%	*i*	**P1,993,114,552**	P1,991,219,294
Retail	Fixed rate note based on 3.25%	*ii*	**962,920,038**	960,495,639
Retail	Fixed rate note based on 3.5%	*iii*	**500,000,000**	500,000,000
Real Estate	Fixed rate note based on 4.5%	*iv*	**1,450,000,000**	-
		28, 29	**4,906,034,590**	3,451,714,933
	Less current portion		**962,920,038**	-
			P3,943,114,552	P3,451,714,933

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

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

The movements in debt issue costs are as follows:

	2014	2013
Balance at beginning of the year	**P11,985,067**	P47,788,638
Additions	-	14,818,500
Amortizations	**(4,319,657)**	(5,464,629)
Deductions	-	(45,157,442)
Balance at end of year	**P7,665,410**	P11,985,067

iii. On July 23, 2013, PPCI signed and executed a P500 million unsecured loan agreement with a local bank. The loan shall be repaid in lump sum after five (5) years. Its related interest is at 3.50% per annum.

Interest expense from these loans amounting to P99.5 million and P198.9 million were capitalized in 2014 and 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 P47.3 million and P26.5 million in 2014 and 2013, respectively.

Repayment Schedule

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

Year	2014	2013
2015	**P1,463,700,000**	P963,700,000
2018	**2,500,000,000**	2,500,000,000
	P3,963,700,000	P3,463,700,000

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

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

19. Other Current Liabilities

This account as at December 31 consists of:

	Note	2014	2013
Deposits	*22, 32, 33*	**P258,577,267**	P226,792,416
Promotion fund		**76,806,772**	53,479,841
Unredeemed gift certificates		**66,275,200**	48,435,500
Output VAT		**4,031,365**	27,657,649
Exclusive fund		**-**	49,885,294
Others	*32, 33*	**3,227,290**	7,644,106
		P408,917,894	P413,894,806

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

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

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

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

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

20. Deposit for Future Subscriptions in a Subsidiary

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

21. Cost of Sales and Services

This account for the year ended December 31 consists of:

Cost of Sales

	2014	2013
Beginning inventory	**P10,354,718,168**	P -
Add: Purchases/effect of business combination	**83,873,367,887**	49,475,784,167
Transfer-in	**505,081,443**	-
Overhead costs allocated to inventories	**81,650,775**	-
Total goods available for sale	**94,814,818,273**	49,475,784,167
Less: Ending inventory	**13,921,685,345**	10,354,718,168
	P80,893,132,928	P39,121,065,999

Transfer-in pertains to the beginning inventory newly-acquired subsidiaries. Transfer-in as of December 31, 2014 and 2013 amounted to P505.1 million and nil, respectively.

Depreciation and amortization relating to cost of sales amounted to P52 million and nil as of December 31, 2014 and 2013, respectively.

Cost of Services

	Note	2014	2013
Utilities		**P404,841,045**	P100,323,277
Depreciation	*12, 13*	**181,170,646**	97,576,194
Taxes and licenses		**76,995,643**	41,357,453
Security services		**61,204,229**	27,979,985
Rentals	*22*	**49,234,603**	18,965,731
Janitorial services		**42,149,832**	18,098,479
Management fees		**20,478,748**	3,844,649
Repairs and maintenance		**20,022,293**	10,473,110
Salaries and wages		**7,316,378**	1,755,703
Insurance		**6,334,031**	-
Amusement tax		**2,893,981**	-
Operator services		**1,543,076**	428,316
Retirement benefit cost		**200,239**	-
Others		**7,483,664**	-
		P881,868,408	P320,802,897

22. Lease Agreements

As Lessee

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

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

Rent expense recognized in profit or loss amounted to P1.67 billion, P803.1 million and P0.92 million in 2014, 2013, and 2012, respectively.

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

	2014	2013	2012
Due within one year	**P1,726,091,499**	P1,492,565,001	P924,269
Due more than one year but not more than five years	**6,904,365,995**	6,443,961,725	192,556
Due more than five years	**27,617,463,980**	30,017,933,854	-
	P36,247,921,474	P37,954,460,580	P1,116,825

As Lessor

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

Rent income recognized in profit or loss for the years 2014, 2013 and 2012 amounted to P357 million, P157 million and nil, respectively.

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

	2014	2013
Due within one year	**P1,413,870,145**	P1,109,375,385
Due more than one year but not more than five years	**5,655,480,580**	1,946,559,536
Due more than five years	**22,621,922,321**	8,535,064,630
	P29,691,273,046	P11,590,999,551

23. Other Operating Income

This account for the years ended December 31 consists of:

	Note	**2014**	2013
Concession income		**P1,331,097,191**	P779,004,895
Rent income	*22*	**356,990,187**	157,462,410
Display allowance		**330,361,693**	280,158,511
Membership income		**298,232,302**	123,714,404
Service income		**275,526,092**	-
Merchandising support income		**78,165,268**	32,698,343
Endcap/pallet income		**38,336,951**	17,115,721
Miscellaneous		**129,643,302**	9,696,897
		P2,838,352,986	P1,399,851,181

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

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

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.

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.

Service income pertains to income generated from promotional activities.

Merchandising support income is the amount granted for Kareila's promotion and advertising activities in partnership with suppliers.

Endcap/pallet income represents the amounts paid by the consignors and concessionaires for the mass display of their products to be situated in strategic locations inside the selling area of the stores.

Miscellaneous account consists of amounts collected from the customers for delivering their purchases, cashiers' overages, sale of used packaging materials, membership income from members of the Retail segment.

24. Operating Expenses

This account for the years ended December 31 consists of:

	Note	**2014**	2013	2012
Rent	*22*	**P1,620,693,313**	P803,067,020	P924,888
Manpower- agency		**1,596,554,761**	910,921,866	-
Communication, light and water		**1,583,193,799**	853,950,071	214,272
Salaries and wages		**1,307,315,271**	626,781,925	-
Depreciation and amortization	*12,13, 14*	**1,226,596,185**	634,922,184	487,529
Outside services		**988,197,398**	594,552,298	-
Concession expense		**441,413,825**	283,094,774	-
Taxes and licenses		**470,292,000**	220,051,095	229,760
Store and office supplies		**380,242,596**	195,409,523	-
Advertising and marketing		**269,785,785**	129,756,307	-
Repairs and maintenance		**268,152,776**	134,309,263	268,589
Insurance		**140,846,298**	72,951,724	-
Employee benefits		**109,377,009**	-	-
Representation and entertainment		**90,229,663**	33,603,823	109,553
SSS/Medicare and HDMF contributions		**84,189,783**	42,790,514	-
Retirement benefits cost	*26*	**80,023,347**	52,152,980	-
Transportation		**76,679,239**	32,254,694	3,503,738
Input VAT allocable to exempt sales		**73,214,131**	45,229,570	-
Fuel and oil		**56,336,084**	25,941,994	-
Professional fee		**54,962,652**	-	2,582,623
Distribution costs		**50,594,798**	-	-
Deficiency tax		**34,966,423**	-	-
Royalty expense	*25*	**33,317,078**	18,413,860	-
Association dues		**11,694,951**	-	-
Staff costs		**7,144,425**	-	7,597,961
Provision for doubtful accounts		**6,371,835**	-	-
Listing fee		**3,186,625**	-	-
Penalty charges		**2,275,294**	-	-
Oil exploration		**1,743,317**	2,549,869	1,428,763
Provision for unrecoverable deferred mineral exploration costs	*15*	**-**	32,648,397	3,526,579
Membership fees		**-**	12,595,700	311,560
Donations and contributions		**-**	4,979,020	-
Others		**60,804,338**	131,187,412	1,179,042
		P11,130,394,999	P5,894,115,883	P22,364,857

25. Others

	Note	2014	2013
Commission income		**P50,370,662**	P50,126,645
Gain on insurance claim		**26,143,753**	-
Reimbursement of expenses		**24,998,078**	-
Parking fee		**18,968,199**	1,650,612
Unrealized valuation gain on trading securities	*8*	**8,581,093**	6,079,145
Gain on disposal of property and equipment		**370,329**	509,540
Bank charges		**(7,829,860)**	(3,772,253)
Share in result of an associate		**(10,925,730)**	-
Foreign exchange loss		**(48,073,684)**	(847,376)
Miscellaneous		**10,697,132**	(464,060)
		P73,299,972	P53,282,253

Commission income is derived from intermediating between other local distributors of wines and liquors and foreign suppliers.

Gain on insurance claim represents the excess of the insurance proceeds received over the cost of the inventories and machineries damaged by flood and fire.

Reimbursements of expenses pertain to recovery of expense charged by the Company for promoting the products of its major suppliers.

26. Related Party Transactions

In the normal course of business, the Group has transactions with its related parties. These transactions and account balances as at December 31 follow:

Related Party	Year	Note	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers							
▪ Advances	**2014**	*a*	**P5,780,297**	**P1,895,737**	**P7,676,034**	Due and demandable;	Unsecured
	2013		- -	-	-	non-interest bearing	
Under Common Control							
▪ Advances	**2014**	*b*	**13,851,299**	**16,148,701**	**25,607**	Due and demandable;	Unsecured
	2013		-	-	-	non-interest bearing	
▪ Rent expense	**2014**	*g*	**6,616,944**	-	-	Due and demandable;	Unsecured
	2013		5,196,739	-	-	non-interest bearing	
Associates							
▪ Throughput fees	**2014**	*c*	**30,000,000**	-	**8,250,000**	Outstanding balance is settled in cash within a month after the end of each quarter; non-interest bearing	Unsecured
	2013		-	-			
				-			
▪ Loans	**2014**	*d*	**14,983,614**	-	-	Due and demandable;	Unsecured
	2013			-			
▪ Concession expense	**2014**	*e*	**478,759,373**	-	-	Due and demandable;	Unsecured
	2013		440,291,377	-	23,550,996	non-interest bearing	
Key Management Personnel		*f*					
▪ Royalty expense	**2014**		**33,317,078**	-	**26,654,003**	Due and demandable;	Unsecured
	2013		18,413,860	-	24,625,864	non-interest bearing	
▪ Short-term benefits	**2014**		**73,344,955**	-	-		
	2013		83,311,531	-	276,461		
▪ Post-employment benefits	**2014**		-	-	-		
	2013		6,384,368	-	-		
Total	**2014**			**P18,044,438**	**P42,605,644**		
Total	2013			P -	P48,453,321		

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

a. Officers

Cash advances extended from and to an officer for working capital requirements.

b. Under Common Control

Cash advances extended from and to entities under common control for working capital requirements.

c. Throughput Agreement

On December 15, 2000, LPC, together with its co-joint venture in MJVC, as "Users", entered into a throughput agreement (TA) with MJVC and PLBRC. Under the TA, MJVC will provide the services to enable basis, each of the users to load and off-load products from vessels and receive products from MJVC's storage facilities. The Company, as the User, shall pay the services and annual fees based on a certain formula agreed upon under the TA. The fee shall be shared between the users based on the actual tonnage off-loaded or loaded from and to ships. The term of the agreement is for 25 years and shall expire on December 15, 2025.

Throughput fees are shown as part of cost of sales (see Note 21)

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d. Advances

Loans to related parties pertains to loans to associates which are unsecured and are payable in twenty (20) equal annual installments subject to annual interest based on the 91-day treasury bill rate plus a margin of 200 basis points subject to quarterly repricing. In the event of default, the Company through written notice may terminate the facility and any principal and interest outstanding shall be immediately due and payable on demand. The maximum credit risk exposure on these loans is equal to their carrying amount as at reporting date.

e. Consignment and Concession

On September 27, 2006, PSMT Philippine, Inc. (PriceSmart), referred to as the "Consignee," an entity under common control, entered into a consignment and concession contract with PPCI thru Kareila, referred to as the "Consignor." The Consignee is the owner and operator of four (4) Warehouse, (1) Fort Bonifacio Global City, Taguig City, Metro Manila; (2) Congressional Avenue, Bago-Bantay, Quezon City; (3) Aseana Business Park, Brgy. Tambo, Paranaque City; and (4) Westgate, Filinvest Alabang, Muntinlupa City, including all the furniture, fixtures and equipment presently situated therein.

Under the contract, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignee hereby grants to the Consignor the right to consign, display and offer for sale, and sell goods and merchandise as normally offered for sale by Consignee, at the selling areas at the four (4) stores.

- The Consignor shall give the Consignee a trade or volume discount of its gross sales.

- The proceeds of sale of the Consignor shall remain the sole property of the Consignor and shall be kept by the Consignee strictly as money in trust until remitted to the Consignor after deducting the amounts due to the Consignee.

- The term of the contract shall be for a period of five (5) years beginning on the date/s of the signing of the agreement or of the opening of the four (4) stores whichever is later, renewable upon mutual agreement of the parties.

- For and in consideration of the consignment/concession right granted, the consignor gives the consignee a trade or volume discount in the amount equivalent to fifteen percent (15%) of the consignee's gross sales which was decreased to ten percent (10%) through an amendment of the contact on January 1, 2011. On February 23, 2012, the contract was further amended giving the consignee a trade or volume discount of five percent (5%) of the consignee's gross sales.

On February 23, 2012, a new agreement was made between the Consignor and Consignee. Under the new agreement, the Consignor offered to consign goods at the aforesaid four (4) stores and the Consignee accepted the offer subject but not limited to the terms and conditions stated as follows:

- The Consignor shall pay the Consignee four percent (4%) monthly consignment/concession fee based on the Consignor's monthly gross sales.

- Goods sold by the consignor shall be checked-out and paid at the check-out counters of and be manned and operated by the Consignor and issued receipts through the point-of-sale (POS) machines in the name of the Consignor. The proceeds of the sale are and shall remain as the sole property of the Consignor subject to its obligation to pay the consideration stipulated.

- Ownership of the goods delivered to the Consignor at the stores shall remain with the Consignor. Except for the right of Consignee to the payment of the consideration in the amount, manner and within the periods stipulated.

- The Consignment/Concession Contract shall be for a period of five (5) years beginning on March 1, 2012, renewable upon mutual agreement of the parties.

f. Royalty Agreement

On August 15, 2011, the Group ("licensee") entered into a license agreement with a stockholder ("licensor") for its use of trademark and logo. The licensee will pay the licensor royalties in an amount equivalent to 1/20 of 1% of net sales for the period of thirty (30) years, renewable upon mutual written consent of the parties. These royalty fees and payables are unsecured, non-interest bearing and due and demandable.

g. Lease of Building

The Group leases the building from its related parties where some stores are located. The Group pays its related parties a minimum fixed amount or is calculated in reference to a fixed sum per square meter of area leased. The terms of the lease are for the periods ranging from ten to thirty-five (10 -35) years, renewable for the same period under the same terms and conditions. The rent shall escalate by the range from 1% to 7%. Rental payments are fixed amounts based on the contracts.

h. As at December 31, 2014, receivables and payables amounting to P1 billion each were eliminated upon consolidation.

27. Retirement Benefit Costs

The Group has an unfunded, noncontributory, defined benefit plan covering all of its permanent employees. Contributions and costs are determined in accordance with the actuarial studies made for the plan. Annual cost is determined using the projected unit credit method. The Group's latest actuarial valuation date is December 27, 2013. Valuations are obtained on a periodic basis.

The following table shows reconciliation from the opening balances to the closing balances of defined benefit liability recognized under "Retirement benefits liability" and its components.

	2014	2013
Balance at January 1	**P293,041,032**	(P2,144,266)
Included in profit or loss		
Current service cost	**63,434,907**	37,517,390
Interest cost	**16,955,785**	14,635,590
Interest income on plan assets	**(167,107)**	-
	80,223,585	52,152,980
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions	**(780,626)**	-
Changes in demographic assumptions	**(64,812)**	-
Actuarial loss (gain) arising from:		
Financial assumptions	**67,091,416**	(68,547,660)
Experience adjustment	**(12,064,685)**	24,909,744
Return on plan assets excluding interest income	**234,492**	-
	54,415,785	(43,637,916)
Effect of business combination	**30,755,720**	286,670,234
Balance at December 31	**P458,436,122**	P293,041,032

The retirement benefits asset recognized in the statements of financial position as at December 31 are as follows:

	2014	2013
Present value of defined benefits obligation	**P458,436,122**	P293,041,032
Fair value of plan assets	**(25,000,000)**	-
Retirement benefits liability	**P433,436,122**	P293,041,032

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

	2014	2013
Current service cost	**P63,434,907**	P55,248,857
Interest expense on the defined benefit liability	**16,955,785**	14,635,590
Interest income on plan assets	**(167,107)**	-
	P80,223,585	P69,884,447

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

	2014	2013
Cumulative actuarial loss at beginning of year	**P3,600,700**	P47,238,616
Actuarial loss (gain) due to increase in defined benefit obligation	**54,415,785**	(43,637,916)
Effect of business combination	**13,116,992**	-
Cumulative actuarial loss at end of year	**P71,133,477**	P3,600,700

The cumulative actuarial loss, net of deferred income taxes, amounted to P38.1 million and P30.5 million as at December 31, 2014 and 2013, respectively, as presented in the consolidated statements of changes in equity.

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

	2014	2013
Discount rate	**5.32%**	5.32%
Future salary increases	**8.00%**	8.00%

Assumptions regarding future mortality have been based on published statistics and mortality tables.

The weighted average duration of the defined benefit obligation at the end of the reporting period is 25.8 years.

It should be noted that the changes assumed to be reasonably possible at the valuation date are open to subjectivity, and do not consider more complex scenarios in which changes other than those assumed may be deemed to be more reasonable.

These defined benefit plans expose the Group to actuarial risks, such as longevity risk, interest rate risk, and market (investment) risk.

Sensitivity Analysis
Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	Increase	Decrease
Discount rate (1% movement)	(P88,476,603)	P78,228,405
Future salary increase rate (1% movement)	103,259,717	(57,799,820)

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:

	2014				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**Within 5-10 Years**
Defined benefit obligation	**P458,436,122**	**P94,009,260**	**P13,616,702**	**P19,019,824**	**P61,372,734**

	2013				
	Carrying Amount	Contractual Cash Flows	Within 1 Year	Within 1-5 Years	Within 5-10 Years
Defined benefit obligation	P293,041,032	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 2015.

28. Income Taxes

The income tax expense for the years ended December 31 consists of:

	2014	2013
Current tax	**P2,606,099,516**	P1,493,551,277
Deferred tax	**(152,581,964)**	(142,404,163)
	P2,453,517,552	P1,351,147,114

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:

	2014	2013	2012
Income before income tax	**P8,689,019,191**	P5,082,352,623	P10,789,271
Income tax expense at the statutory income tax rate:			
30%	**P2,750,847,690**	P1,516,142,958	P3,236,781
5%	**6,192,440**	4,120,060	-
Income tax effects of:			
Nondeductible other expenses	**31,329,842**	854,553	-
Nondeductible expense	**24,081,712**	125,767,036	8,758
Non-deductible interest expense	**2,249,699**	7,266,181	-
Expired NOLCO	**1,737,899**	-	-
Expired MCIT	**356,158**	616,771	799,045
Dividend income subjected to final tax	**(195,297,502)**	(274,254,372)	(392,123)
Recognition of unrecognized DTA	**(97,647,259)**	735,141	-
Interest income subjected to final tax	**(46,115,638)**	(53,449,474)	-
Deduction from gross income due to availment of optional standard deduction	**(15,340,024)**	-	-
Non-taxable income-net subjected to final tax	**(2,522,461)**	-	(4,908,757)
Non-taxable rental income	**(817,522)**	-	-
Capital gain/loss subjected to capital gains tax	**(180,058)**	-	-
Changes in unrecognized DTA	**(5,357,424)**	23,348,260	1,275,594
	P2,453,517,552	P1,351,147,114	P19,298

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:

	2014	2013
	DTA (DTL)	DTA (DTL)
Accrued rent expense	**P655,581,040**	P477,899,454
Retirement benefits liability	**123,068,164**	76,779,889
NOLCO	**120,086,493**	17,346,595
Allowance for impairment losses on receivables	**49,337,160**	8,777,411
Discounting of customers deposit	**27,728,867**	23,788,986
Actuarial losses	**14,462,674**	9,219,994
MCIT	**4,199,446**	327,358
Advanced rentals	**2,051,081**	-
Security deposit adjustment (asset)	**1,487,782**	-
Deferred rent income	**1,558,133**	30,719,188
Provision for gas cylinders	**510,000**	-
Unrealized foreign exchange loss	**402,286**	1,145,991
Recognition of DTA	**122,892**	116,919
DTA	**1,000,596,018**	646,121,785
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(218,395,710)**	(136,982,665)
Security deposit adjustment (liability)	**(26,434,774)**	(7,656,468)
Prepaid rent	**(6,774,144)**	(6,300,000)
Discounting of customers deposit	**(1,793,329)**	(1,356,468)
Accrued interest income	**(729,547)**	-
Unrealized foreign exchange loss	**(299,754)**	-
DTL	**(P1,634,161,316)**	(P1,532,029,659)
Net	**(P633,565,298)**	(P885,907,874)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit liability.

The details of the Group's NOLCO which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2011	P16,659,745	(P16,659,745)	P-	2014
2012	22,654,191	-	22,654,191	2015
2013	376,230,238	(50,126,928)	326,103,310	2016
2014	104,036,834	-	104,036,834	2017
	P519,581,008	(P66,786,673)	P452,794,335	

The details of the Group's MCIT which are available for offsetting against future taxable income are shown below:

Year Incurred	Amount Incurred	Expired (Applied) During the Year	Remaining Balance	Expiration Date
2011	**P1,458,011**	**(P1,458,011)**	**P-**	**2014**
2012	**2,612,079**	**-**	**2,612,079**	**2015**
2013	**1,316,275**	**-**	**1,316,275**	**2016**
2014	**2,568,707**	**-**	**2,568,707**	**2017**
	P7,955,072	**(P1,458,011)**	**P6,497,061**	

29. Equity

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

Amount

	Note	**2014**	2013
Authorized	*1*	**P10,000,000,000**	P10,000,000,000
Issued and outstanding:			
Balance at beginning of year		P7,405,263,564	P1,275,000,000
Stock issuances during the period	*1*	-	6,130,263,564
Balance at end of year		**P7,405,263,564**	P7,405,263,564

Number of shares

	Note	**2014**	2013
Authorized - (2014 - P1 par value, 2013 - P1 par value)	*1*	**10,000,000,000**	10,000,000,000
Issued and outstanding			
Balance at beginning of year		7,405,263,564	1,275,000,000
Stock issuances during the period	*1*	-	6,130,263,564
Balance at end of year		**7,405,263,564**	7,405,263,564

Capital Stock and Additional Paid-in Capital

On June 28, 2007, the BOD approved the increase in the Parent Company's authorized capital stock from P700,000,000 to P3,000,000,000 divided into 300 billion common shares with the same rights and privileges and with a par value of P0.01 per share. On the same date, the BOD approved the issuance of up to 5% of the authorized capital stock of the Company to qualified employees and persons through an Employees Stock Ownership Plan.

On June 8, 2010, the SEC approved the Parent Company's application to increase its authorized capital stock as discussed above. In 2011, upon implementation of the capital increase, 25% of the additional P2.3 billion was subscribed through private placement and P100 million of which was subscribed through stock rights offering.

On April 22, 2013, the SEC approved the increase in the Parent Company's capital stock from P3,000,000,000 divided into 300,000,000,000 shares with par value of P0.01 each, to P10,000,000,000 shares with par value of P1.00 each.

As at December 31, 2014 and 2013, the number of shares issued and outstanding totaled 7,405,263,564. Additional paid-in capital amounted to P79,827,987,885 in 2014 and 2013.

The Parent Company has not yet implemented the stock option plan to qualified employees as at December 31, 2014 and 2013.

Treasury Stocks

On December 18, 2014, the BOD approved to buy back the Parent Company's shares up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. As at December 31, 2014, the Parent Company already bought back 472,200 shares with acquisition cost of P3,963,490 and was classified in the Parent Company's book as treasury stocks.

Retained Earnings

In a meeting held on June 27, 2014, the Company's BOD approved the declaration of a regular cash dividend amounting to P444.32 million equivalent to P0.06 per share to stockholders of record as at July 11, 2014. The related cash dividends were paid on July 28, 2014.

On December 18, 2014, the Parent Company's BOD approved the declaration of a regular dividend of P0.02 per share and special dividend of P0.06 per share on record date of January 12, 2015 and payment date of February 5, 2015. The total amount of dividends amounted to P592,421,085.

The summary of dividends declared as at December 31, 2014 is as follows:

Type of Dividend	Date of Dividend Declaration	Date of Record	Date of Payment	Amount
Cash	June 27, 2014	July 11, 2014	July 28, 2014	P444,315,814
Cash	December 18, 2014	January 12, 2015	February 5, 2015	592,421,085
				P1,036,736,899

30. Segment Information

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

Retail	Includes selling of purchased goods to a retail market
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas, filling and distributions of LPG cylinders as well as distributions to industrials, wholes and other customers.
Real estate	Includes real estate activities such as selling and leasing of real properties
Liquor distribution	Includes selling of purchased goods based on a distributorship channel to a wholesale market
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**	
	2014	2013	**2014**	2013
Retail	**P84,697,390,792**	P44,624,471,402	**P4,520,457,686**	P2,548,282,734
Specialty retail	**19,999,219,952**	-	**399,556,122**	-
Liquor distribution	**4,840,817,814**	2,613,882,290	**603,431,864**	393,821,390
Real estate	**2,191,485,129**	1,180,990,038	**970,581,457**	383,369,519
Holding and mining	**102,607,934**	584,427,844	**662,115,862**	476,363,042
Total	**111,831,521,621**	49,003,771,574	**7,156,142,991**	3,801,836,685
Eliminations	**13,044,777,781**	27,632,511	**920,641,352**	70,631,176
	P98,786,743,840	P48,976,139,063	**P6,235,501,639**	P3,731,205,509

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

	2014	2013
Retail		
From external customers	**P84,697,390,792**	P46,024,322,583
From intersegment sales	-	-
	84,697,390,792	46,024,322,583
Specialty retail		
From external customers	**8,950,174,551**	-
From intersegment sales	**309,371**	-
Pre-acquisition earnings	**11,048,736,030**	-
	19,999,219,952	-
Real estate		
From external customers	**1,379,054,373**	580,271,253
From intersegment sales	**563,580,829**	400,718,785
Pre-acquisition earnings	**248,849,927**	-
	2,191,485,129	980,990,038
Liquor distribution		
From external customers	**3,717,052,727**	1,824,569,366
From inter-segment sales	**1,123,765,087**	629,312,924
	4,840,817,814	2,453,882,290
Holding and mining		
From external customers	**49,059,547**	161,167,688
From inter-segment sales	**53,548,387**	423,260,156
	102,607,934	584,427,844
Total revenue from external customers	**P98,792,731,990**	P48,590,330,890
Total intersegment sales	**P1,741,203,674**	P1,453,291,865
Pre-acquisition earnings	**P11,297,585,957**	P -

No single customer contributed 10% or more to the Group's revenue for the periods ended December 31, 2014 and 2013.

Segment Assets and Liabilities

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

	2014	2013
Segment Assets		
Retail	**P53,666,395,695**	P49,625,644,062
Real estate	**17,845,539,557**	16,845,555,757
Specialty retail	**4,017,731,147**	-
Liquor	**4,709,056,173**	2,488,629,137
Holding, oil storage and mining	**97,954,715,405**	89,063,042,282
Total segment assets	**178,193,437,977**	158,022,871,238
Intercompany assets	**88,494,858,437**	82,900,575,075
Total assets	**P89,698,579,540**	P75,122,296,163
Segment Liabilities		
Retail	**P19,432,901,026**	P19,039,344,061
Specialty retail	**1,628,238,975**	-
Real estate	**6,007,828,276**	5,722,409,033
Liquor	**2,589,759,625**	972,982,017
Holding, oil storage and mining	**9,625,148,334**	368,136,987
Total segment liabilities	**39,283,876,236**	26,102,872,098
Intercompany liabilities	**9,264,061,033**	5,811,396,920
Total liabilities	**P30,019,815,203**	P20,291,475,178

31. Basic/Diluted EPS Computation

Basic EPS is computed as follows:

	2014	2013	2012
Net income attributable to equity holders of the Parent Company (a)	**P4,026,866,478**	P2,482,546,969	P10,769,973
Weighted average number of ordinary shares (b)	**7,405,263,564**	4,708,542,190	74,694,094,277
Basic/Diluted EPS (a/b)	**P0.543784**	P0.527243	P0.000144

As at December 31, 2014, 2013 and 2012, the Group has no dilutive debt or equity instruments.

32. Financial Risk and Capital Management Objectives and Policies

Objectives and Policies

The Group has significant exposure to the following financial risks primarily from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Interest Rate Risk
- Foreign Currency Risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital.

The BOD has overall responsibility for the establishment and oversight of the Group's risk management framework. They are responsible for developing and monitoring the Group's risk management policies.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. All risks faced by the Group are incorporated in the annual operating budget. Mitigating strategies and procedures are also devised to address the risks that inevitably occur so as not to affect the Group's operations and detriment forecasted results. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

Credit risk represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

Exposure to credit risk is monitored on an ongoing basis. Credit is not extended beyond authorized limits. Credit granted is subject to regular review, to ensure it remains consistent with the customer's credit worthiness and appropriate to the anticipated volume of business.

Receivable balances are being monitored on a regular basis to ensure timely execution of necessary intervention efforts.

The credit risk for due from related parties and security deposits was considered negligible since these accounts have high probability of collection and there is no current history of default.

Financial information on the Group's maximum exposure to credit risk without considering the effects of collaterals and other risk mitigation techniques is presented below.

	Note	**2014**	2013
Cash in banks and cash equivalents	*4*	**P14,354,179,316**	P14,024,048,097
Short-term investments	*5*	**824,078,115**	500,000,000
Receivables - net	*6*	**5,321,986,551**	2,818,808,266
Due from related parties	*26*	**18,044,438**	-
AFS - current	*9*	**6,363,758**	5,918,335
AFS - noncurrent*	*11*	**398,776,037**	379,775,237
Security deposits**	*16*	**1,240,131,409**	884,090,991
		P22,163,559,624	P18,612,640,926

**Included under investments*
***Included under noncurrent assets*

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

	December 31, 2014					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P14,354,179,316	P -	P -	P -	P -	P14,354,179,316
Short-term investments	824,078,115	-	-	-	-	824,078,115
Receivables – net	3,193,191,931	1,064,397,310	798,297,983	266,099,328	164,457,192	5,486,443,743
Due from related parties	18,044,438	-	-	-	-	18,044,438
AFS - current	6,363,758	-	-	-	-	6,363,758
AFS - noncurrent	398,776,037	-	-	-	-	398,776,037
Security deposits	1,240,131,409	-	-	-	-	1,240,131,409
	P20,034,765,004	P1,064,397,310	P798,297,983	P266,099,328	P164,457,192	P22,328,016,816

	December 31, 2013					
	Neither Past Due nor Impaired	Past Due but not Impaired				
		1 to 30 Days	31 to 60 Days	More than 60 Days	Impaired	Total
Cash in bank and cash equivalents	P14,024,048,097	P -	P -	P -	P -	P14,024,048,097
Short-term investments	500,000,000	-	-	-	-	500,000,000
Receivables – net	1,564,879,848	331,537,784	483,954,238	417,855,016	20,581,380	2,818,808,266
Investments in trading securities	28,867,376	-	-	-	-	28,867,376
AFS - current	5,918,335	-	-	-	-	5,918,335
AFS - noncurrent	379,775,237	-	-	-	-	379,775,237
Security deposits	884,090,991	-	-	-	-	884,090,991
	P17,358,712,508	P331,537,784	P483,954,238	P417,855,016	P20,581,380	P18,612,640,926

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

a. Cash in bank and cash equivalents and short-term investments were assessed as high grade since these are deposited in reputable banks with good credit standing, which have a low profitability of insolvency and can be withdrawn anytime. The credit risk for investment in 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.

b. Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.

c. Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group manages liquidity risk by forecasting projected cash flows and maintaining balance between continuity of funding and flexibility in operations. Treasury controls and procedures are in place to ensure that sufficient cash is maintained to cover daily operational working capital requirements. Management closely monitors the Group's future and contingent obligations and sets up required cash reserves as necessary in accordance with internal requirements.

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

	As at December 31, 2014				
	Carrying Amount	**Contractual Cash Flow**	**1 Year or Less**	**More than 1 Year - 5 Years**	**More than 5 Years**
Financial Liabilities					
Accounts payable and accrued expenses[1]	P12,357,621,590	P12,357,621,590	P12,357,621,590	P -	P -
Short-term loans payable	2,259,100,000	2,272,364,960	2,272,364,960	-	-
Trust receipts payable	-	-	-	-	-
Due to related parties	42,605,644	42,605,644	42,605,644	-	-
Long-term Debt including Current Portion	9,866,403,220	12,075,406,820	3,344,077,700	1,994,864,800	6,736,464,320
Other current liabilities[2]	261,804,557	261,804,557	261,804,557	-	-
Noncurrent accrued rent	2,068,506,537	2,068,506,537	76,598,218	216,580,847	1,775,327,472
	P26,856,041,548	**P29,078,310,108**	**P18,355,072,669**	**P2,211,445,647**	**P8,511,791,792**

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

	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[1]	P11,381,347,173	P11,381,347,173	P11,381,347,173	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	48,453,321	48,453,321	48,453,321	-	-
Long-term Debt including Current Portion	3,451,714,933	3,463,700,000	500,000,000	2,963,700,000	-
Other current liabilities[2]	234,436,522	234,436,522	234,436,522	-	-
Noncurrent accrued rent	1,599,368,798	1,599,368,798	69,318,049	103,749,302	1,426,301,447
	P17,943,863,967	P18,070,390,801	P13,576,640,052	P3,067,449,302	P1,426,301,447

[1] *Excluding statutory payables to the government.*
[2] *Excluding gift cheques, exclusive fund, VAT payable and promotion fund and other current liabilities.*

Interest Rate Risk

Interest rate risk is the risk that future cash flows from a financial instrument (cash flow interest rate risk) or its fair value (fair value interest rate risk) will fluctuate because of changes in market interest rates. The Group is exposed to interest rate risk on interest earned on cash deposits in banks. Cash deposits with variable rates expose the Group to cash flow interest rate risk. Short and long-term loan with fixed rate are not subject to interest rate risk.

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

	2014	2013
Financial assets		
Cash in banks	**P2,877,998,722**	P2,349,103,633
Money market placement	**11,476,180,594**	11,674,944,464
Short-term investments	**824,078,115**	500,000,000
	15,178,257,431	14,524,048,097
Financial Liability		
Notes payable	**9,866,403,220**	3,451,714,933
	P5,311,854,211	P11,072,333,164

The Group does not account for any fixed rate financial assets and liabilities at FVPL, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

Foreign Currency Risk

The Group's foreign currency risk at December 31, 2014 pertains to its cash in bank which is denominated in US dollar.

The Group's foreign currency denominated assets as at December 31, 2014 and 2013 follow:

	As at December 31, 2014				
Currency	**Current Assets**	**Current Liabilities**	**Net Foreign Currency Liabilities**	**Exchange Rate**	**PHP Equivalent**
USD	**7,201,987**	**(9,145,180)**	**(1,943,193)**	**44.720**	**(P86,899,591)**
EUR	**464**	**(268,781)**	**(268,317)**	**54.339**	**(14,580,077)**
AUD	**-**	**(100,773)**	**(100,773)**	**36.206**	**(3,648,587)**
SGD	**-**	**(46,575)**	**(46,575)**	**33.700**	**(1,569,578)**
					(P106,697,833)

	As at December 31, 2013				
Currency	Current Assets	Current Liabilities	Net Foreign Currency Liabilities	Exchange Rate	PHP Equivalent
USD	6,790,746	(55,328,308)	(48,537,562)	44.395	(P2,154,825,065)
EUR	-	(495)	(495)	60.816	(30,104)
AUD	-	(4,633)	(4,633)	39.458	(182,809)
					(P2,155,037,978)

Sensitivity Analysis

A 2% decrease in the foreign exchange rates, with all other variables held constant would have decreased the Group's income after tax and equity by P2,133,957 and by P1,493,770 as at December 31, 2014 and 2013, respectively.

A 2% increase in the foreign exchange rates, with all other variables held constant would have increased the Group's income after tax and equity by P43,100,760 and by P30,170,532 as at December 31, 2014 and 2013, respectively.

The analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the reporting date.

Capital Management

The Group's objectives when managing capital are to increase the value of shareholders' investment and maintain steady growth by applying free cash flow to selective investments. The Group set strategies with the objective of establishing a versatile and resourceful financial management and capital structure.

The Group's President has overall responsibility for monitoring of capital in proportion to risk. Profiles for capital ratios are set in the light of changes in the Group's external environment and the risks underlying the Group's business operations and industry.

The Group defines capital as paid-up capital, remeasurements and retained earnings.

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

33. Financial Instruments

The carrying values of the Group's financial instruments approximate fair values as at December 31, 2014 and 2013.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

Cash and Cash Equivalents, Short-term Investments, Receivables, Due from Related Parties and Security Deposits
The carrying amounts of cash and cash equivalents, short-term investments, receivables and due from related parties approximate their fair values due to the relatively short-term maturities of these financial instruments. In the case of security deposits, the difference between the carrying amounts and fair values is considered immaterial by management.

Investments in Trading Securities and Available-for-Sale Financial Assets
The fair values of publicly traded instruments and similar investments are based on quoted market prices in an active market. For debt instruments with no quoted market prices, a reasonable estimate of their fair values is calculated based on the expected cash flows from the instruments discounted using the applicable discount rates. Unquoted equity securities are carried at cost less impairment.

Accounts Payable and Accrued Expenses, Trust Receipts Payable, Due to Related Parties, Other Current Liabilities and Noncurrent Accrued Rent
The carrying amounts of accounts payable and accrued expenses, trust receipts payable, due to related parties and other current liabilities approximate the fair value due to the relatively short-term maturities of these financial instruments. The difference between the carrying amounts and fair values of noncurrent accrued rent and other current liabilities is considered immaterial by management.

Short and Long-term Loans including Current Maturities
The fair value of interest-bearing fixed rate loans is based on the discounted value of expected future cash flows using the applicable market rates for similar types of instruments as at reporting date. Effective rates used in 2014 and 2013 ranges from 3.50% to 3.61% and 3.50% to 3.61%, 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, 2014 and 2013, the Group's investment in trading securities and AFS were measured based on Level 1.

As at December 31, 2014 and 2013, the Group has no financial instruments valued based on Level 2 and 3 and has not introduced any movement among Levels 1, 2 and 3 classifications.

34. Events Subsequent to Reporting Date

On December 18, 2014, the Parent Company's BOD approved the acquisition of five (5) commercial properties from NE Incorporated. The acquisition was completed on February 3, 2015.

On the same date, PPCI's BOD approved the acquisition of nine (9) supermarkets from NE Incorporated. The acquisition was completed on February 3, 2015.

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32nd Street 5th Avenue
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Taguig City
Tel. No.: (632) 888-0433

PG Lawson Company, Inc..
No. 900 Romualdez St.,
Paco, Manila
Tel. No.: (632) 524-4451

Office Warehouse, Inc.
Lot 1 Blk 13
E. Rodriguez Jr. Ave.,
Quezon City
Tel. No.: (632) 437-5680

Liquigaz
3/F NOL Tower, Commerce
Avenue Madrigal Business Park,
Ayala Alabang, Muntinlupa City,
1780 Philippines
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Montosco, Inc.
Unit 1501 Federal Tower,
Dasmariñas St.,
Binondo, Manila
Tel. No.: (632) 243-5069/
243-8343

Meritus Prime Distributions, Inc.
Unit 704 Federal Tower,
Dasmariñas St., Binondo,
Manila
Tel. No.: (632) 242-0635/
5242-0645

Premier Wine and Spirits, Inc.
Gate 1, Tabacalera Compound,
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Paco, Manila
Tel. No.: (632) 524-2117/
24-2165

Ellimac Prime Holdings, Inc.
2/F Tabacalera Bldg. 1,
No. 900 Romualdez St.,
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Tel. No.: (632) 522-8801 to 04

118 Holdings, Inc.
No. 900 Romualdez St.,
Paco, Manila
Tel. No.: (632) 522-2312/
523-8633/523-8635

Patagonia Holdings Corp.
No. 900 Romualdez St.,
Paco, Manila
Tel. No.: (632) 522-2312/
523-8633/523-8635

Nation Realty, Inc.
900 Romualdez St.,
Paco, Manila
Tel. No.: (632) 522-2312/
523-8633/523-8635

Fertuna Holdings Corp.
Rizal Highway cor. Magsaysay
Ave., Subic Bay Freeport Zone,
Zambales
Tel. No.: (632) 522-8801/
522-8802 to 04

Pure Petroleum Corp.
Lot Adjacent to Baton Wharf,
Subic Bay Freeport Zone,
Zambales
Tel. No.: (632) 522-8801 to 04

NE Pacific Shopping Centers Corporation
Centermall Building,
President's Avenue, BF Homes,
Parañaque City,
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Tel. No.: (632) 522-8801 to 04

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