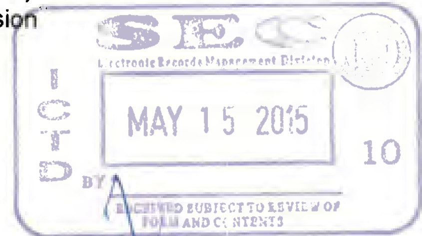
May 13, 2015

Securities and Exchange Commission
SEC Building, EDSA, Mandaluyong City

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



Philippine Stock Exchange
Ayala Avenue, Makati City

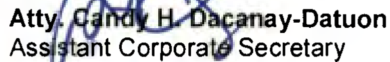
Attention: **Janet Encarnacion**
Head, Disclosure Department

Subject: **COSCO'S 1ST QUARTER FINANCIAL REPORT FOR CY 2015**

GENTLEMEN:

Please see attached 1st Quarter Financial Performance for CY 2015 of Cosco Capital, Inc.

Very truly yours,



Atty. Candy H. Dacanay-Datuon
Assistant Corporate Secretary

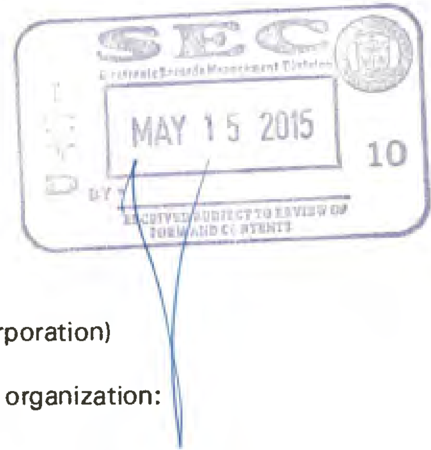
SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q
2015 1st Quarter Report

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

1. For the quarterly period ended: March 31, 2015

2. Commission identification number: 147669



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

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

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

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

Republic of the Philippines

6. Industry Classification Code: [ ] (SEC Use Only)

7. Address of registrant's principal office:

2ndFloorTabacaleraBldg 2, 900 D. Romualdez Sr. St.,
Paco, Manila Postal Code: 1007

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

(632) 524-9236 or 38

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

ALCORN GOLD RESOURCES, CORPORATION

10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

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

Yes [/] No [ ]

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

12. Indicate by check mark whether the registrant:

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

Yes[/] No [ ]

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

Yes [/] No [ ]

I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

1. Please see **SECTION A** for the financial statements
2. Please see **SECTION B** for the pro-forma statements comprehensive income and segment information
3. Please see **SECTION C** for the performance indicators schedule

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

The following should be read in conjunction with the accompanying interim financial statements and notes thereto which form part of this Report. The interim financial statements and notes thereto have been prepared in accordance with the Philippine Accounting Standard (PAS) 34 Interim Financial Statements.

II. KEY PERFORMANCE INDICATORS

The following financial ratios are considered by management as key performance indicators of the Group's operating results as well as its financial condition:

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

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

Performance Indicators	2015	2014	2013
ROI	2.47%	1.53%	23.00%
Profit margin	5.83%	6.55%	27.66%
EBITDA to interest expense	22.44 x	109.51 x	n/a
Current ratio	2.58:1	2.24:1	351.96:1
Asset turnover	0.29 x	0.65 x	0.81x
Asset to equity	1.42 :1	1.34:1	1.37:1
Debt to equity ratio	0.42 :1	0.11:1	Debt free

These financial ratios were calculated based on the consolidated financial statements of Cosco Capital, Inc. and its subsidiaries as described more appropriately in Note 1 to the unaudited interim financial statements attached in Annex A hereof.

III. RESULTS OF OPERATION

The table below shows the consolidated results of operations of the Group for the periods ended March 31, 2015 and 2014.

(In Millions)	2015	%	2014	%	*INCREASE (DECREASE)*	%
REVENUES	25,629	*100%*	19,230	*100%*	*6,399*	*33%*
COST OF SALES/SERVICES *(excluding depreciation and amortization)*	21,228	*83%*	15,684	*82%*	*5,544*	*35%*
GROSS PROFIT *(before depreciation and amortization)*	4,401	*17%*	3,545	*18%*	*855*	*24%*
OTHER OPERATING INCOME	769	*3%*	674	*4%*	*95*	*14%*
	5,169	*20%*	4,219	*22%*	*950*	*23%*
OPERATING EXPENSES *(excluding depreciation and amortization)*	2,612	*10%*	2,169	*11%*	*443*	*20%*
INCOME FROM OPERATIONS	2,557	*10%*	2,050	*11%*	*507*	*25%*
OTHER INCOME (CHARGES) – net	-59	*0%*	58	*0%*	*-118*	*-202%*
INCOME BEFORE INCOME TAX, DEPRECIATION AND AMORTIZATION	2,498	*10%*	2,108	*11%*	*389*	*18%*
DEPRECIATION AND AMORTIZATION EXPENSE	393	*2%*	333	*2%*	*60*	*18%*
INCOME BEFORE INCOME TAX	2,105	*8%*	1,776	*9%*	*330*	*19%*
INCOME TAX EXPENSE	612	*2%*	497	*3%*	*115*	*23%*
NET INCOME FOR THE PERIOD	1,494	*6%*	1,279	*7%*	*215*	*17%*
Net Income Attributable to:						
Equity holders of the Parent Company	965	*4%*	817	*4%*	*148*	*18%*
Non-controlling interests	529	*2%*	462	*2%*	*67*	*14%*
	1,494	*6%*	1,279	*7%*	*215*	*17%*
Basic earnings per share	0.14		0.11			

Comparison of Results of Operations between March 31, 2015 and 2014

Growth in Revenues

Cosco Capital, Inc. and subsidiaries (the "Group") posted a consolidated revenue of ₱25.63 Billion during the three-months period ended March 31, 2015 which reflects an increase of ₱6.40 Billion or representing a growth of 33% compared to last year's revenue for the same period of ₱19.23 Billion. The growth in consolidated revenues has been largely driven by a combination of the Group's sustained organic growth from its aggressive stores expansion program for its grocery retail, real estate and liquor distribution business segments as well as revenue contributions realized from the strategic acquisitions made involving its commercial real estate portfolio and investments in specialty retailing business segment.

Growth in Net Income

During the same period, the Group realized a consolidated net income of ₱1.49 Billion which is higher by ₱215 Million representing a 17% increase as compared to last year's net income of ₱1.28 Billion. Net income attributable to equity holders of the parent company (PATMI) amounted to about ₱965 Million in 2015 which increased by about ₱148 Million or 18% as compared to the 2014 PATMI amounting to ₱817 Million.

Segment Revenue & Net Income Contributions

Retail Segment

During the first three-months period of 2015, the Group's retail business segment registered a consolidated revenue contribution amounting to ₱20.69 Billion or an increase of ₱2.30 Billion or 13% growth as compared to the segment's revenue contribution of ₱18.38 Billion for the same period of last year brought about by its continued aggressive stores expansion program and management's combined efforts to boost revenue. Consolidated net income contribution in 2015 amounted to ₱1.05 Billion which increased by ₱111 Million or 12% as compared to the net income contribution of ₱943 Million in the same period in 2014.

Real Estate Segment

The commercial real estate business segment contributed ₱359 Million to the Group's consolidated revenue in 2015 representing a growth of about ₱84 Million or 31% of the segment's revenue during the same period last year amounting to ₱275 Million. This was mainly attributable to the segment's expanded commercial mall operations with the opening of its Fairview Terraces mall as well as the acquisition of NE Pacific Mall on February 11, 2014. Net income contribution in 2015 amounted to about ₱229 Million which increased by about ₱34 Million or 17% as compared to the net income contribution of ₱195 Million in 2014.

Liquor Distribution Segment

Similarly, the liquor distribution business segment contributed about ₱970 Million to the Group's consolidated revenue during the same period in 2015 representing an increase by about ₱400 Million or 70% higher as compared to the 2014 revenue contribution of ₱570 Million mainly attributable to its aggressive sales and marketing campaign. Net income contribution in 2015 amounted to about ₱123 Million which increased by ₱10 Million or 9% as compared to the net income contribution in 2014 amounting to ₱112 Million.

Specialty Retail Segment

Office Warehouse, Inc., which was acquired in April 2014, contributed the amount of ₱310 Million to the Group's consolidated revenue and ₱13 Million to the Group's consolidated net income during the 3-months ending March 31, 2015.

On the other hand, Liquigaz Philippines Corporation, which was acquired on July 21, 2014, contributed the amount of ₱3.3 Billion to the Group's consolidated revenues and ₱125 Million to the Group's consolidated net income during the 3-months period ending March 31, 2015.

Segment Operating Highlights

Retail

For the three-month period ended March 31, 2015, the Grocery Retailing segment posted a consolidated net sales of ₱20,689 million for an increase of ₱2,304 million or 12.5% compared to ₱18,385 million in the same period of 2014. New stores put up in 2014 were fully operating in 2015 increasing consolidated net sales in addition to robust like for like stores sales growth for the three-month period ended March 31, 2015. Consolidated like for like sales performance indicators of the group for the three-month periods ended March 31 are as follow:

	2015	2014
Net Sales	**3.7%**	-0.1%
Net Ticket	**-2.1%**	0.2%
Traffic	**5.9%**	-0.3%

For the three-month period ended March 31, 2015, the Grocery Retailing segment realized an increase of 11.2% in consolidated gross profit from ₱3,204 million in 2014 to ₱3,563 million in 2015 of the same period, driven by strong sales growth from new and old stores and continuous suppliers' support through rebates and conditional discounts granted during the period. Consolidated gross profit margin was posted at 17.2% and 17.4% for the three-month periods ended March 31, 2015 and 2014, respectively.

Other operating income increased by ₱68 million or 10.1% from ₱674 million in the three-month period ended March 31, 2014 to ₱742 million in 2015 of the same period. This is attributable to increase in concession income, rent income, membership income and service income driven mainly by new stores offering new spaces for product displays and booths for third party retailers and other promotions to increase customer and supplier's supports.

Operating expenses increased by ₱301 million or 11.9% from ₱2,527 million in the three-month period ended March 31, 2014 to ₱2,829 million in 2015 of the same period. The increase was mainly attributable to manpower cost of the new stores, as well as rent expenses relative to new lease contracts, supplies expense and taxes, all related to acquisitions and operation of new stores. Miscellaneous expense also increased due to recognition of earned points redeemed by Perks card members.

Other income net of other expenses increased by ₱18 million or 355.1% for the three-month period ended March 31, 2015 compared to the same period of previous year. This was due to recognition of share on net income of an associate amounting to ₱20 million.

For the three-month period ended March 31, 2015, the Grocery Retailing segment posted a consolidated net income of ₱1,054 million at 5.1% net margin and an increase of 11.7% from ₱943 million at 5.1% net margin in 2014 of the same period. This was due to the continuous store expansion of the Grocery Retailing segment and combined management effort to boost revenue driven from old and new stores while maintaining efficiency on operating expenses at its current level.

Real Estate

The Group's Real Estate Segment posted ₱544 Million in revenues in the three-month period ended March 31, 2015 or an 11% increase from ₱492 Million in the previous year. The acquisition of NE Pacific Shopping Centers Corporation and the operation of Fairview Terraces Mall expanded the Group's commercial mall portfolio and mainly contributed to the increase of the segment's revenue.

Income from operations before depreciation increased by ₱26 Million from ₱319 Million of the three-month period ended March 31, 2015.

Real Estate Segment's net income for the period amounted to ₱229 Million or an 8% increase from last year's ₱211 Million brought about by growth in revenue and decrease in operating expenses.

Liquor Distribution

Revenues generated by the Liquor Distribution Segment increased to ₱1.031 Billion in 2015 or 41% growth from last year's ₱731 Million. The growth in revenue is attributable to the increase in sales of the spirits sector particularly whisky and brandy. Wines and specialty beverages also experienced dramatic growths in the current year and contributed to the segment's overall sales growth.

Income from operations increased to ₱184 Million in 2015 or 28% higher from last year's ₱144 Million.

Net income for the 2015 period increased by ₱10 Million from ₱112 Million in 2014 to ₱123 Million in 2015 or a 9% growth.

Specialty Retail

The Group's Specialty Retail Segment was initially established with the acquisition of100% equity interest in Office Warehouse, Inc. that was consolidated with the Group starting May 1, 2014. Office Warehouse operates a chain of 47 specialty retail outlets engaged in selling school and office supplies, technology items, home/office furniture and equipment and related products

For the period ended March 31, 2015, Office Warehouse contributed the amount of ₱310 Million to the Group's consolidated revenue and ₱13 Million to the Group's consolidated net income.

In July 2014, Cosco Capital, Inc., through a 90%-owned subsidiary, Canaria Holdings, Inc., acquired 100% equity interest in Liquigaz Philippines Corporation, a company engaged in the wholesale and distribution of LPG in the Philippines. Liquigaz operates through its Bataan terminal which has a storage capacity of 12,500 MT of LPG supported by its hubs located in Bulacan with a capacity of 75 metric tons with 5 cylinder refilling facilities and another one located in Canlubang, Laguna with a capacity of 40 metric tons.

For the period ended March 31, 2015, Liquigaz contributed the amount of ₱3.30 Billion to the Group's consolidated revenues and ₱125 Million to the Group's consolidated net income.

IV. FINANCIAL CONDITION

Consolidated Statements of Financial Position

Shown below is the consolidated financial position of the Group:

(In Millions)	2015	%	2014	%	*INCREASE (DECREASE)*	%
ASSETS						
Current Assets						
Cash and cash equivalents	**8,734**	*10%*	15,681	*17%*	***-6,947***	*-44%*
Receivables – net	**6,030**	*7%*	5,322	*6%*	***708***	*13%*
Available-for-sale financial assets	**15**	*0%*	14	*0%*	***1***	*4%*
Short-term investments	**864**	*1%*	824	*1%*	***40***	*5%*
Investment in trading securities	**41**	*0%*	37	*0%*	***3***	*9%*
Merchandise inventory	**14,441**	*17%*	13,922	*16%*	***519***	*4%*
Due from related parties	**13**	*0%*	10	*0%*	***3***	*34%*
Prepayments and other current assets	**2,731**	*3%*	1,165	*1%*	***1,566***	*134%*
	32,869	*38%*	36,975	*41%*	***-4,106***	*-11%*
Noncurrent Assets						
Property and equipment - net	**15,424**	*18%*	15,285	*17%*	***139***	*1%*
Investment properties - net	**13,506**	*16%*	12,774	*14%*	***732***	*6%*
Intangible assets	**21,381**	*25%*	20,895	*23%*	***486***	*2%*
Investments	**929**	*1%*	912	*1%*	***17***	*2%*
Deferred oil and mineral exploration costs	**119**	*0%*	119	*0%*		*0%*
Deferred tax assets - net	**123**	*0%*	120	*0%*	***3***	*3%*
Loans to related parties- noncurrent portion	**6**	*0%*	8	*0%*	***-2***	*-21%*
Other non-current assets	**2,387**	*3%*	2,609	*3%*	***-222***	*-9%*
	53,876	*62%*	52,723	*59%*	***1,153***	*2%*
TOTAL ASSETS	**86,746**	*100%*	89,699	*100%*	***-2,953***	*-3%*
LIABILITIES						
Current Liabilities						
Accounts payable and accrued expenses	**7,504**	*9%*	11,799	*13%*	***-4,296***	*-36%*
Income tax payable	**1,475**	*2%*	830	*1%*	***645***	*78%*
Short-term loans payable	**2,311**	*3%*	2,259	*3%*	***52***	*2%*
Current portion of long-term borrowing	**1,010**	*1%*	1,008	*1%*	***2***	*0%*
Trust receipts payable	**8**	*0%*	-	*0%*	***8***	*100%*
Dividends payable	**-**	*0%*	916	*1%*	***-916***	*100%*
Due to related parties	**74**	*0%*	43	*0%*	***31***	*74%*
Other current liabilities	**354**	*0%*	409	*0%*	***-55***	*-13%*
	12,735	*15%*	17,263	*19%*	***-4,529***	*-26%*

Noncurrent Liabilities						
Retirement benefit cost	434	1%	433	0%		0%
Deferred tax liabilities	723	1%	754	1%	-31	-4%
Long term loans payable - net of debt issue cost	8,913	10%	8,859	10%	54	1%
Deposits for future stock subscription	150	0%	150	0%	-	0%
Other non-current liabilities	2,662	3%	2,560	3%	101	4%
	12,882	15%	12,757	14%	125	1%
TOTAL LIABILITIES	25,616	30%	30,020	33%	-4,403	-15%
EQUITY						
Capital stock	7,405	9%	7,405	8%	-	0%
Additional paid-in capital	9,635	11%	9,635	11%	-	0%
Remeasurement of retirement liability - net of tax	-50	0%	-50	0%		0%
Reserve for fluctuations in value of AFS financial assets	7	0%	7	0%		-5%
Retained earnings	26,891	31%	25,926	29%	965	4%
Total Equity Attributable to Equity Holders of Parent Company	43,887	51%	42,923	48%	964	2%
Treasury shares	-296	0%	-253	0%	-43	17%
	43,592	50%	42,670	48%	922	2%
Non-controlling interest	17,537	20%	17,008	19%	529	3%
TOTAL EQUITY	61,129	71%	59,679	67%	1,451	2%
TOTAL LIABILITIES AND EQUITY	86,746	100%	89,699	100%	-2,953	-3%

Current Assets

Cash and cash equivalents amounted to ₱8.73 Billion as at March 31, 2015 with a decrease of ₱6.95 Billion from December 31, 2014 balance or an 44% decrease due basically to the net effect of the Real estate segment's acquisitions of additional properties during the current period, coupled by significant decrease in cash of the Retail Segment used in settling their trade and non-trade payables, payment of 2014 cash dividends and acquisition of nine (9) operating retail store outlets in 2015.

Short-term investments increased by 5% from December 31, 2014 balance of ₱824 Million to this period's balance of ₱864 Million due mainly to the additional placements made.

Receivables increased by 13% from December 31, 2014 balance of ₱5.32 Billion to this period's balance of ₱6.03 Billion due mainly to the additional advances made by the parent company to other affiliates, offset by the collections in trade and other receivables of Retail segment, Real Estate and Property Leasing segment, Liquor Distribution segment and Specialty Retail segment.

Due from related parties increased by 34% from December 31, 2014 balance of ₱10 Million to this period's balance of ₱13 Million due mainly to the additional advances made.

Merchandise inventory increased by 4% from 2014 balance of ₱13.92 Billion to this period's balance of ₱14.44 Billion mainly due to the retail segment's additional stocking requirements for the new and existing stores and accrual of inventory by the Specialty Retail segment. Bulk of the inventory account pertains to the merchandise inventory stocks of the retail segment amounting to ₱11.57 Billion.

Prepayments and other current assets increased by ₱1.57 Billion or 134% at the end of March 2015, mainly due to the Retail segment's increase in input VAT on purchases of inventory and payment of various expenses, availment of new policies for insurance of new stores and advance payment of rent for soon to open stores.

Non-current Assets

As at March 31, 2015 and December 31, 2014, total non-current assets amounted to ₱553.94 Billion or 62% of total assets, and ₱52.72 Billion or 59% of total assets, respectively, for an increase of ₱1.22 Billion or 2%.

Property and equipment pertains to the buildings and equipment mostly owned by the Retail segment. Book values of property and equipment increased by ₱139 Million or 1% from ₱15.28 Billion in December 2014 to ₱15.42 Billion in March 2015 due principally to additional capital expenditures incurred by the Retail Segment and increase in building and equipment of Specialty retail segment due to additional investment.

Investment properties pertains to the land, buildings and equipment owned by the Real Estate segment. Book values of property and equipment increased by ₱732 Million or 6% from ₱12.77 Billion in December 2014 to ₱13.51 Billion in March 2015 due principally to the additional commercial mall assets acquired during the period from NE Incorporated.

Similarly, **intangible assets** increased by ₱486 Million in 2015 representing additional goodwill amounts paid resulting from the acquisition by the Grocery Retailing Segment of nine (9) supermarkets in February 2015.

Investments increased by ₱17 Million or 2% from ₱912 Million in December 2014 to P929 Million in March 2015resulting mainly from the recognition of share in net income of a joint venture and associates by the Grocery Retailing Segment and Specialty Retail Segment.

Other non-current assets decreased by ₱222 Million from ₱2.61 Billion in December 2014 to ₱2.39 Billion in March 2015. About 55% of these assets are attributable to the Retail Segment and the increase was primarily due to additional security deposits and advance rentals in relation to new leases acquired for new stores development as well as accrued rental income (PAS17) pertaining to future periods for both the Real Estate and the Retail Segments.

Current Liabilities

As at March 31, 2015 and December 31, 2014, total current liabilities amounted to ₱12.72 Billion and ₱17.26 Billion respectively, for a decrease of ₱4.54 Billion or 26%.

About 71% of **accounts payable and accrued expenses** pertains to the trade payable to suppliers by the Retail Segment and the balance mostly to the contractors and suppliers of the Real Estate segment, suppliers of Liquor Distribution and specialty retail segment. The decrease by ₱4.30 Billion or 36% was primarily due to net settlement of trade and non-trade liabilities by the Retail Segment during the period.

Significant portion of the **income tax payable** pertains to that of the Retail Segment. The increase by ₱636 Million from ₱830 Million as at December 31, 2014 to ₱1.47 Billion as at March 31, 2015 is mainly due to additional income taxes incurred relative to the increase in net taxable income during the three-months period in 2015 in relation to the same period in 2014.

Trust receipts payable increased by ₱8 Million arising from purchases of goods covered under the trust receipts agreement by the Retail segment.

Short-term loans payable increased by ₱52 Million mainly due to additional loans availed during 2015 principally by the Retail segment segment to augment working capital requirements and those arising from payments made by the Liquor Distribution segment.

Dividends payable decrease by ₱916 Million mainly due to the payments made in February by the Retail segment and the Parent Company on the dividends declared in 2014.

Due to related parties increase by ₱31 Million due to the additional advances obtained by the Real Estate segment and Specialty Retail segment partially offset by the payments made.

Other current liabilities decreased by 13% from ₱409 Million as at December 31, 2014 to ₱354 Million as at March 31, 2015 relatively due to the net effect of recognition of other supplier transactions, VAT payable, promo funds from various suppliers, unredeemed gift certificates and deposits during the period from the Retail Segment.

Noncurrent Liabilities

As at March 31, 2015 and December 31, 2014, total non-current liabilities amounted to ₱12.95 Billion and ₱12.76 Billion, respectively, for an increase of ₱199 Million or 2% significantly attributable to the additional accrued rent by the Retail segment.

Deferred tax liabilities decreased by ₱31 Million or 4% mainly due to the additional deferred tax recognized by the Retail segment arising from accrual of rent expense.

The movement of **Long term loans payable - net of debt issue cost** pertains to the availment of ₱54 Million loan by the Real Estate segment on January 14, 2015.

Other non-current liabilities, which is primarily composed of non-current accrued rent, increased by ₱101 Million or 4% from ₱2.56 Billion as at December 31, 2014 to ₱2.66 Billion as at March 31, 2015 due to recognition of rent expense for lease contracts entered into by the Group and its subsidiaries in compliance with PAS 17 – *Leases*.

V. SOURCES AND USES OF CASH

A brief summary of cash flow movements is shown below:

	For the three-month period ended March 31			
		2015		2014
Net cash flows used in operating activities	**₱**	**(4,173,102,837)**	₱	(1,754,058,851)
Net cash flows used investing activities		**(1,812,103,203)**		(1,379,262,481)
Net cash flows provided by (used in) financing activities		**(961,952,890)**		1,488,496,019
Net increase in cash and cash equivalents	**₱**	**(6,947,156,915)**	₱	(1,644,924,375)

Net cash used in operating activities during the current period amounting to about ₱4.20 Billion is basically attributable to the net effect of the net settlement of trade payable accounts by the Retail Segment during the period.

On the other hand, net cash flows used by investing activities mainly pertains to the funds used for strategic business acquisitions by the Retail segment and other related equity investments as well as additional capital expenditures for new stores development and acquisition by the Real estate and property leasing segment of commercial properties during the period.

Net cash inflows used in financing activities principally resulted from the net proceeds from the additional loans obtained by the Retail segment and Real estate and property leasing segment during the period, and reduced by loan repayments by the Liquor Distribution segment as well as finance costs paid and dividend payments by the Parent Company and Retail segment during the period.

Management believes that the current levels of internally generated funds and its present cash position enables the Group to meet its immediate future liquidity requirements under its current work program commitments as well as other strategic investment opportunities.

VI. MATERIAL EVENTS AND UNCERTAINTIES

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

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

(ii) There are no unusual transactions during the year. However, there are material changes in the financial statements caused by the consolidation of 12 companies as effect of the subscription agreement entered on April 16, 2013. Details of changes are discussed as follows:

On April 12, 2013, Lucio L. Co Group and Alcorn Gold Resources Corporation (now Cosco Capital, Inc.) executed a Deed of Assignment in Payment for the Subscription wherein the Lucio L. Co Group shall subscribe to the unissued unauthorized capital stock of the Cosco, Capital, Inc. from the increase of its authorized capital stock at a subscription price of ₱15 per share for a total of 4,987,406,421 new shares at an aggregate subscription price of ₱74,811,096,315 worth of shares in Puregold Price Club, Inc. and Subsidiaries, Ellimac Prime Holdings, Inc. and Subsidiaries, Go Fay & Co., Incorporada, SVF Corporation, Nation Realty, Inc., 118 Holdings, Inc. and Subsidiary, Patagonia Holdings Corp., Fertuna Holdings Corp., Premier Wine and Spirits, Inc., Montosco Inc., Meritus Prime Distributions, Inc., and Pure Petroleum Corp. (collectively, the "Acquirees"), and the corresponding payment thereof by way of assignment of the shares owned by Lucio L. Co Group in the Acquirees, under the terms and conditions to be determined by the Corporation's BOD.

In addition, 1,142,857,143 shares were subscribed and issued to subscribers for ₱10.50 per share for a total consideration of ₱12,000,000,001.50 after meeting all the closing conditions.

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

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

On July 8, 2013, the Retail segment entered into a joint venture agreement with Varejo Corp., an entity engaged in operations of small convenience stores to incorporate 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.

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

Cosco Capital, Inc. finalized the acquisition of the outstanding shares of Office Warehouse, Inc. pursuant to agreement to purchase signed on February 18, 2014. Office Warehouse, Inc. is a retailer of office and school supplies, office furniture and related technological products with 47 stores currently in operations.

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 oil and gas service contracts and mining exploration rights including transfer of related assets, privileges, duties and obligations subject to the approval of the Department of Energy.

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

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 store in Japan and other Asian countries, to establish a Joint Venture company that will operate convenience store in the Philippines.

On June 27, 2014, the 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 shareholders as of the record date of July 11, 2014 payable on July 28, 2014.

On December 18, 2014, Board of Directors of Cosco Capital, Inc. 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 December 18, 2014, the BOD approved to implement a share buy-back program up to ₱1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at 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.

On December 18, 2014, the BOD of Puregold Price Club, Inc. approved to implement a share buy-back program up to ₱1.00 billion or approximately 30.0 million shares within one year from the approval or until November 4, 2015. As at December 31, 2014, the Company already bought back 100,000 shares with acquisition cost of ₱3,899,602 and was classified in the Company's book as treasury shares.

In addition, the following significant events had transpired in 2015:

On February 3, 2015, Puregold Price Club, Inc. acquired the nine (9) supermarkets from NE Incorporated. The supermarkets located mainly at Cabanatuan, Nueva Ecija, San Jose Nueva Ecija, Baliwag, Bulacan, Baler, Aurora and Santiago, Isabela.

On February 3, 2015, Cosco Capital, through its wholly-owned subsidiary, Ellimac Prime Holdings, Inc., acquired five (5) commercial properties from NE Incorporated. The properties are located at Zulueta St., Cabanatuan City; San Jose City Nueva Ecija; San Juan Accfa, Cabanatuan City; Baler, Aurora; and Santiago City, Isabela.

As at March 31, 2015, the Parent Company already bought back 6,000,000 shares with acquisition cost of ₱45,824,443 and was classified in the Company's book as treasury shares.

As at March 31, 2015, the Puregold Price Club, Inc. already bought back 125,000 shares with acquisition cost of ₱4,930,213 and was classified in the Company's book as treasury shares.

(iii) There are no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years;

(iv) There are no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period;

(v) There are no contingent liabilities or assets since the last statement of financial position period;

(vi) Sources of liquidity – Fundings for the current year will be sourced principally from internally generated cash flows to be augmented by short-term borrowings as may be required, as well as the remaining proceeds from the Parent Company's corporate notes issue in May 2014.

(vii) There are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation;

(viii) There are no material commitments for capital expenditures other than those performed in the ordinary course of trade or business;

(ix) There are no known trends, events or uncertainties that have had or that are reasonably expected to have a material impact on the revenues or income from continuing operations;

(x) There are no significant elements of income not arising from continuing operations;

(xi) Due to the Group's sound financial condition, there are no foreseeable trends or events that may have material impact on its short-term or long-term liquidity.

PART II--OTHER INFORMATION

Disclosure not made under SEC Form 17-C - None

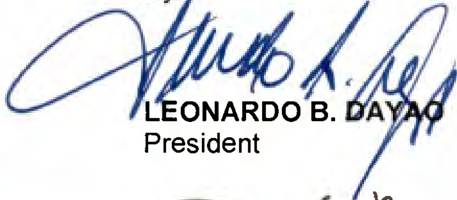
SIGNATURE

Pursuant to the requirements of the Securities and Regulation Code, the Issuer has duly caused this 1st Quarter Financial Statements of Cosco Capital, Inc. and its subsidiaries for the year 2015 to be signed on its behalf by the undersigned thereunto duly authorized.

May 13, 2015, City of Manila.

COSCO CAPITAL, INC.

By:



LEONARDO B. DAYAO
President

TEODORO A. POLINGA
Comptroller

SECTION A

COSCO CAPITAL, INC. AND SUBSIDIARIES
UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

March 31, 2015 and December 31, 2014

(In Philippine Peso)

	NOTES	2015 (UNAUDITED)	2014
ASSETS			
Current Assets			
Cash and cash equivalents	7	**8,733,734,924**	15,681,010,818
Short-term investments	8	**864,415,962**	824,078,115
Receivables - net	9	**6,030,448,778**	5,321,986,551
Merchandise inventory	10	**14,440,851,131**	13,921,685,345
Investments in trading securities	12	**40,934,859**	37,448,469
Available-for-sale financial assets	13	**14,876,612**	14,277,024
Due from related parties	24	**13,441,390**	10,049,370
Prepaid expenses and other current assets	11	**2,730,704,625**	1,164,914,349
		32,869,408,280	36,975,450,041
NONCURRENT ASSETS			
Noncurrent Assets			
Property and equipment - net	14	**15,424,309,128**	15,285,188,229
Investment properties - net	15	**13,506,056,191**	12,773,920,323
Intangibles and goodwill - net	16	**21,381,211,655**	20,895,164,609
Investments	17	**928,676,410**	912,065,182
Deferred oil and mineral exploration costs	18	**119,168,055**	119,168,419
Loans to related parties- noncurrent portion		**6,300,000**	7,995,068
Deferred tax assets - net	31	**123,421,786**	120,214,897
Other noncurrent assets	19	**2,387,210,706**	2,609,412,772
		53,876,353,930	52,723,129,499
TOTAL ASSETS		**86,745,762,210**	89,698,579,540
LIABILITIES AND EQUITY			
LIABILITIES			
Current Liabilities			
Accounts payable and accrued expenses	20	**7,503,554,041**	11,799,441,447
Income tax payable		**1,474,839,649**	829,501,994
Short-term loans payable	21	**2,311,000,000**	2,259,100,000
Current portion of long-term borrowing	21	**1,009,509,574**	1,007,789,300
Trust receipts payable		**7,855,624**	-
Due to related parties	24	**73,983,664**	42,605,644
Dividends payable	25	**-**	915,840,635
Other current liabilities	22	**353,828,920**	408,917,894
		12,734,571,473	17,263,196,914
Noncurrent Liabilities			
Retirement benefits liability	32	**433,921,748**	433,436,122
Deferred tax liabilities	31	**722,904,264**	753,780,195
Long term loans payable - net of debt issue cost	21	**8,913,082,668**	8,858,613,920
Deposit for future stock subscriptions	23	**150,313,060**	150,313,060
Other noncurrent liabilities		**2,661,637,518**	2,560,474,992
		12,881,859,258	12,756,618,289
TOTAL LIABILITIES		**25,616,430,730**	30,019,815,203
EQUITY			
Capital stock	25	**7,405,263,564**	7,405,263,564
Additional paid-in capital	25	**9,634,644,229**	9,634,644,229
Remeasurement of retirement liability - net of tax	32	**(49,793,434)**	(49,793,434)
Reserve for fluctuations in value of AFS financial assets	13	**6,601,915**	6,932,418
Retained earnings		**26,890,731,954**	25,925,960,160
		43,887,448,228	42,923,006,937
Treasury shares	25	**(295,512,183)**	(252,620,619)
Total Equity Attributable to Equity Holders of Parent Company		**43,591,936,045**	42,670,386,318
Non-controlling interest		**17,537,395,435**	17,008,378,019
TOTAL EQUITY		**61,129,331,479**	59,678,764,337
TOTAL LIABILITIES AND EQUITY		**86,745,762,210**	89,698,579,540

(See Notes to Consolidated Financial Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the Periods Ended March 31, 2015 and 2014
(In Philippine Peso)

	NOTES	2015 (UNAUDITED)	2014
REVENUES	26	**25,629,090,589**	19,229,614,062
COST OF SALES AND SERVICES	27	**21,228,356,742**	15,684,475,067
GROSS PROFIT		**4,400,733,848**	3,545,138,996
OTHER OPERATING INCOME	28	**768,813,036**	673,881,351
		5,169,546,884	4,219,020,347
OPERATING EXPENSES	29	**2,612,291,733**	2,169,041,211
INCOME FROM OPERATIONS		**2,557,255,151**	2,049,979,136
OTHER INCOME (CHARGES) - net	30	**(59,436,189)**	58,456,175
INCOME BEFORE INCOME TAX, DEPRECIATION AND AMORTIZATION		**2,497,818,962**	2,108,435,311
DEPRECIATION AND AMORTIZATION EXPENSE	14,15,16	**392,506,567**	332,629,645
INCOME BEFORE INCOME TAX		**2,105,312,395**	1,775,805,666
INCOME TAX EXPENSE	31	**611,523,185**	496,881,155
NET INCOME		**1,493,789,210**	1,278,924,511
OTHER COMPREHENSIVE INCOME (LOSS)			
Items that may be reclassified to P/L in subsequent periods			
Unrealized fair value gains (losses) on AFS Financia	13	**(330,503)**	(975,705)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,493,458,707**	1,277,948,806
Net income attributable to:			
Equity holders of Parent Company		**964,771,794**	816,664,970
Non-controlling interests		**529,017,416**	462,259,541
		1,493,789,210	1,278,924,511
Total comprehensive income attributable to:			
Equity holders of Parent Company		**964,441,291**	815,689,265
Non-controlling interests		**529,017,416**	462,259,541
		1,493,458,707	1,277,948,806
Basic Earnings Per Share		***0.135697***	*0.114051*

(See Notes to Consolidated Financial Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Periods Ended March 31, 2015 and 2014

(In Philippine Peso)

	Capital Stock	Additional Paid-in Capital	Retained Earnings	Reserve for retirement plan	Remeasurement of retirement liability - net of tax	Treasury Shares*	Reserve for fluctuations in value of AFS financial assets	Total	Non-controlling Interests	Total
Balance at January 1, 2014	7,405,263,564	9,634,644,229	23,039,953,941	(2,520,490)	-	(244,757,527)	4,565,462	39,837,149,179	14,993,671,806	54,830,820,985
Profit	-	-	816,664,970	-	-	-	-	816,664,970	-	816,664,970
Other comprehensive income	-	-	-	-	-	-	(975,705)	(975,705)	462,259,541	461,283,836
Balance at March 31, 2014	7,405,263,564	9,634,644,229	23,856,618,911	(2,520,490)	-	(244,757,527)	3,589,757	40,652,838,444	15,455,931,347	56,108,769,791
Balance at January 1, 2015	7,405,263,564	9,634,644,229	25,925,960,160	-	(49,793,434)	(252,620,619)	6,932,418	42,670,386,318	17,008,378,019	59,678,764,337
Profit	-	-	964,771,794	-	-	-	-	964,771,794	529,017,416	1,493,789,210
Other comprehensive income	-	-	-	-	-	-	(330,503)	(330,503)	-	(330,503)
Buy-back of treasury shares	-	-	-	-	-	(42,891,564)	-	(42,891,564)	-	(42,891,564)
Balance at March 31, 2015	7,405,263,564	9,634,644,229	26,890,731,954	-	(49,793,434)	(295,512,183)	6,601,915	43,591,936,045	17,537,395,435	61,129,331,480

(See Notes to Consolidated Financial Statements)

***Note:**

Treasury shares refer to Cosco Capital shares held by a Subsidiary. On a consolidated basis of presentation for Cosco Capital financial statements, they are classifed as treasury shares.

COSCO CAPITAL, INC. AND SUBSIDIARIES
(Formerly Alcorn Gold Resources Corporation)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Periods Ended March 31, 2015 and 2014
(In Philippine Peso)

	NOTES	2015 (UNAUDITED)	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**2,105,312,395**	1,775,805,666
Adjustments for:			
Depreciation and amortization	14,15,16	**392,506,567**	332,629,645
Finance cost	21	**111,309,713**	19,252,956
Rent expense in excess of billings		**105,319,538**	104,528,977
Share in net income of joint ventures	17	**(19,343,521)**	-
Doubtful account expense	9	**11,294,211**	-
Retirement benefit expense	32	**1,410,797**	-
Unrealized foreign exchange gain (loss)		**116,964**	-
Share in net loss of associates	17	**382,625**	-
Gain on redemption of available-for-sale financial assets	13	**(930,092)**	-
Unrealized valuation loss (gain) in trading securities	12,30	**(2,649,298)**	(3,125,737)
Dividend income	12,13,30	**(3,124,945)**	(3,061,094)
Finance income	7	**(31,115,659)**	(39,047,980)
Operating cash flows before changes in working capital		**2,670,489,295**	2,186,982,433
Decrease (increase) in operating assets:			
Receivables		**(719,756,438)**	72,805,110
Inventories		**(519,165,786)**	(540,518,910)
Due from related parties		**(3,392,020)**	-
Prepaid expenses and other current assets		**(1,508,350,104)**	155,877,953
Loans to related parties-net of current portion		**1,695,068**	-
Other non-current assets		**222,202,066**	(654,700,165)
Increase (decrease) in operating liabilities:			
Accounts payable and accrued expenses		**(4,401,206,943)**	(3,318,517,100)
Trust receipts payable		**7,855,624**	16,543,220
Due to related parties		**31,378,020**	-
Other current liabilities		**(55,088,974)**	327,468,608
Other noncurrent liabilities		**101,162,526**	-
Cash generated from operations		**(4,172,177,666)**	(1,754,058,851)
Retirement benefits paid	32	**(925,171)**	-
Net cash used in operating activities		**(4,173,102,837)**	(1,754,058,851)
CASH FLOWS FROM INVESTING ACTIVITIES			
Finance income received	7	**31,115,659**	39,047,980
Proceeds from disposal of available-for-sale financial assets	13	**4,000,000**	-
Dividend income received	12,13	**3,124,945**	3,061,094
Proceeds from (Additions to) oil and mineral exploration	18	**(364)**	372,491
Additions to investment in trading securities	13	**(837,092)**	(2,888,306)
Additions to intangible assets	16	**(495,219,325)**	(986,391,756)
Proceeds from (Additional) short-term investment	8	**(40,337,847)**	462,827,754
Additions to property and equipment	14	**(528,661,610)**	(343,928,566)
Additions to investment properties	15	**(785,287,569)**	(551,363,172)
Net cash used in investing activities		**(1,812,103,203)**	(1,379,262,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net availments from borrowings	21	**108,089,022**	1,507,748,975
Payments for buy back of shares	25	**(42,891,564)**	-
Finance costs paid		**(111,309,713)**	(19,252,956)
Payment of dividends	25	**(915,840,635)**	-
Net cash from (used in) financing activities		**(961,952,890)**	1,488,496,019
EFFECTS OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(116,964)**	(99,062)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(6,947,275,894)**	(1,644,924,375)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**15,681,010,818**	14,744,149,987
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**8,733,734,924**	13,099,225,612

(See Notes to Consolidated Financial Statements)

COSCO CAPITAL, INC. AND SUBSIDIARIES

(Formerly Alcorn Gold Resources Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2015 and December 31, 2014

1. CORPORATE INFORMATION

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

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

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.

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

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

1.01 Subsidiaries

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

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

**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.*
***Acquired on February 28, 2014.*
****Acquired on May 1, 2014.*
*****Acquired on August 4, 2014.*

Puregold Price Club, Inc.

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

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

Subsidiaries	Percentage of Ownership	
	2015	2014
Kareila Management Corporation	**100**	100
PPCI Subic, Inc.	**100**	100
Company E Corporation	**100**	100
Entenso Equities Incorporated, Inc.	**100**	100

Montosco, Inc.

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

Meritus Prime Distributions, Inc.

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

Premier Wine and Spirits, Inc.

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

Nation Realty, Inc.

Incorporated and registered with SEC on March 27, 1969 to acquire by purchase or lease, or otherwise; land and interest therein and to own, hold, improve, develop, and manage any real estate acquired and to erect or cause to be 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, the NRI's Stockholders and BOD approved the merger NRI being, the surviving entity, with SVF Corporation, 999 Shopping Mall, Inc. and Go Fay & Co., Incorporada (collectively referred to as the "Absorbed Companies"). The merger was approved by the SEC on January 29, 2014.

118 Holdings, Inc.

Incorporated and registered with 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 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 stocks, bonds, debentures, notes, evidences of indebtedness, and other securities, contracts or obligations of any corporation, or any other entities among others.

Ellimac Prime Holdings, Inc.

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

Fertuna Holdings Corp.

Incorporated and registered with SEC on August 24, 2009 to invest in, purchase, subscribe for or otherwise acquire and own, hold, use, develop, sell, assign, pledge, transfer, mortgage, exchange, or otherwise dispose real and personal property 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 SEC on July 9, 2009 with primary purpose to engage in the business of buying and selling of goods such as, but not limited to, diesel, used oil and other related product as may be permitted by law, in wholesale and retail basis.

Alcorn Petroleum and Minerals Corporation

Incorporated and registered with SEC on July 5, 2013 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 SEC on August 14, 1996 to primarily engage in the establishment and management of shopping malls.

NE Pacific Mall, the first large commercial mall in Cabanatuan City, has a gross floor area of over 35,000 square meters (sqms) and sits on a close to 10-hectare lot. It has a leasable area of over 23,000 sqms with a tenant base of over 400 retailers comprising of fashion outlets, fast food chains, specialty shops, supermarket, appliance center, game arcades, banks, government satellite offices and three cinemas.

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

Office Warehouse, Inc.

Incorporated and registered with 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.

In February 2014, OWI's previous owners entered into an agreement with Cosco to sell all their shares, rights, title and interest in OWI to the latter. The sale has been finalized on May 1, 2014.

Canaria Holdings Corporation

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

CHI is the parent company of Liquigaz Philippines, Inc. and Calor Philippines Holdings, Inc.

Liquigaz Philippines Corporation

Incorporated and registered with 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 Company'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.

Calor Philippines Holdings, Inc.

Incorporated and registered with 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. Consequently, CPHI became an associate of LPC.

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% -owned by Cosco.

1.02 Summarized Financial Information

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

		2015		2014
Non-controlling interest percentage				49%
Current assets	₱	**16,736,701,509**	₱	20,481,245,243
Noncurrent assets		**33,876,476,443**		33,185,150,452
Current liabilities		**(9,653,583,430)**		(13,835,055,296)
PNoncurrent liabilities		**(5,672,933,925)**		(5,597,845,730)
Net assets (liabilities)		**35,286,660,597**		34,233,494,669
Carrying amount of non-controlling interests		**17,290,463,693**		16,774,412,388
Revenue		**20,688,726,889**		87,535,743,778
Net income for the period/year		**1,054,196,539**		4,520,457,686
Other comprehensive income		**(41,961,983)**		(39,441,493)
Total comprehensive income (loss)		**1,012,234,556**		4,481,016,193
Net income allocated to non-controlling interest		**516,556,304**		2,215,024,266
Other comprehensive income allocated to non-controlling interests		**(20,561,372)**		(19,326,332)
Cash flow from operating activities		**(3,187,039,996)**		3,584,139,896
Cash flow from investing activities		**(970,306,495)**		(1,745,621,819)
Cash flow from financing activities		**(243,452,534)**		(378,821,525)
Net increase (decrease) in cash	₱	**(4,400,799,025)**	₱	1,459,696,552

2. ADDOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

2.01 New and Revised PFRSs Applied with No Material Effect on the Financial Statements

The following new and revised PFRSs have also been adopted in these financial statements. The application of these new and revised PFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

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

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

- PFRS 10, *Consolidated Financial Statements*

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

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

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

- PFRS 11, *Joint Arrangements*

  The Standard requires a party to a joint arrangement to determine whether the type of joint arrangement is joint operation or joint venture, by assessing its rights and obligations arising from the arrangement.

  A joint venturer is required to recognise an investment and to account for that investment using the equity method in accordance with PAS 28, *Investments in Associates and Joint Ventures*, unless the entity is exempted from applying the equity method as specified in the standard. Joint operators are required to recognise and measure the assets and liabilities (and recognise the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant PFRSs applicable to the particular assets, liabilities, revenues and expenses.

  PFRS 11 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

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

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

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

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

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

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

- PFRS 10 (Amended), ***Consolidated Financial Statements***, PFRS 12 (Amended), ***Disclosure of Interest in Other Entities***, PAS 27 (Amended), ***Separate Financial Statements***

  The amendment require a parent company that is an investment entity to measure its investments in particular subsidiaries at fair value through profit or loss instead of consolidating them. The new disclosure requirements pertaining to investment entities were added to PFRS 12 and PAS 27.

  The amendments are effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

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

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

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

- PAS 27 (Revised), ***Consolidated and Separate Financial Statements***

  The amendments to PAS 27 are result of the completion and issuance of a new standard on consolidation, the PFRS 10, ***Consolidated Financial Statements***. As a result, PAS 27 will now be titled as Separate Financial Statements containing requirements relating only to separate financial statements.

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

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

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

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

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

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

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

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

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

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*

  This Interpretation applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine ('production stripping costs') and provides guidance on the recognition of production stripping costs as an asset and measurement of the stripping activity asset.

  This Interpretation is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

- IFRIC 21, *Levies*

  This interpretation provide guidance on how to account levies that are within the scope of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* It clarifies that the obligating event that gives rise to a liability to pay a levy is the activity that triggers payment of the levy, as identified by the legislation.

  This interpretation is effective for annual periods beginning on or after January 1, 2014 and it shall be applied retrospectively. Earlier application is permitted.

- PIC Q&A No. 2013-03 *PAS 19 –Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law*

  This Interpretation provides guidance in accounting for post-employment benefits for an entity which has opted to provide a defined contribution plan as its only post-employment benefit plan despite the minimum retirements benefits required to be provided to employees under RA 7641.

  This Interpretation is effective for annual financial statements with period beginning January 1, 2013 and should be applied retrospectively.

- PIC Q&A No. 2012-01 PFRS 3.2 – *Application of the Pooling of Interests Method for Business Combinations of Entities under Common Control in Consolidated Financial Statements*

  This interpretation provides guidelines in applying the pooling of interest method for business combinations of entities under common control in the consolidated financial statements on the following issues: (i) carrying value of assets and liabilities to be used (ii) restatement or non-restatement of financial information in consolidated financial statements for periods prior to date of the business combination (iii) accounting for equity reserves when the entity elects not to restate financial information in the consolidated financial statements for periods prior to the transaction.

  This interpretation is effective for annual financial statements beginning on or after January 1, 2013. Earlier application is permitted.

- *Improvements to PFRS (2012)* – Effective for annual periods beginning on or after January 1, 2014. Earlier application is permitted.

  PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards* – The amendments in this PFRS clarifies that a first-time adopter should apply a single version of each PFRS throughout each period presented in its first PFRS financial statements. Further, it requires that PFRSs that are effective at the end of the first PFRS reporting period must be used. A first-time adopter is allowed to apply a new PFRS that is not yet mandatory if early application is permitted. Consequently, if a first-time adopter chooses to early apply a new PFRS, that new PFRS will be applied throughout the periods presented in its first PFRS financial statements, unless this PFRS provides an exemption or an exception that permits or requires otherwise.

  PFRS 3, *Business Combinations* – It clarifies that the scope exception only applies to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

  PFRS 8, *Operating Segments* – It requires to disclose the factors that are used to identify the reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements. Further, a reconciliation of the total of the reportable segments' assets to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker.

  PFRS 13, *Fair Value Measurements* – The amendment clarifies that that the portfolio exception applies to all contracts that are within the scope of PAS 39 *Financial Instruments: Recognition and Measurement* or PFRS 9 *Financial Instruments*, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in PAS 32 *Financial Instruments: Presentation*.

  PAS 1, *Presentation of Financial Statements* – It clarifies that a liability is classified as non-current if an entity expects, and has the discretion, to refinance or roll over an obligation for at least twelve months after the reporting period under an existing loan facility with the same lender, on the same or similar terms.

PAS 7, *Statement of Cash Flows* – It clarifies that the classification of interest that is capitalized shall follow the classification of the underlying asset to which those payments were capitalized. The amendment further provides that that the payments of interest that is capitalized as part of the cost of property, plant and equipment shall be classified as part of an entity's investing activities, and payments of interest that is capitalized as part of the cost of inventories shall be classified as part of an entity's operating activities.

PAS 12, *Income Taxes* – The improvements in this PFRS clarifies that an assessment shall be made whether to recognize deferred tax asset on a deductible temporary difference in combination with other deferred tax assets. If tax law restricts the utilization of tax losses and only specific tax losses can be deducted against income of a specified type, still an assessment shall be made in combination with other deferred tax assets, but only with deferred tax assets of the appropriate type. Further, the taxable profit against which a deferred tax asset is assessed for recognition shall be before any reversal of deductible temporary differences. Lastly, an action that results only in the reversal of existing deductible temporary differences is not a tax planning opportunity. To qualify as a tax planning opportunity, the action needs to create or increase taxable profit.

PAS, 16 *Property, Plant and Equipment* and PAS, 38 *Intangible Assets* – The improvements in these PFRS clarifies that the determination of the accumulated depreciation or amortization does not depend on the selection of the valuation technique and the accumulated depreciation or amortization is computed as the difference between the gross and the net carrying amounts. Consequently, when the residual value, the useful life or the depreciation or amortization method has been re-estimated before a revaluation, restatement of the accumulated depreciation or amortization is not proportionate to the change in the gross carrying amount of the asset.

PAS 24, *Related Party Disclosures* – The improvements in this PFRS clarifies that the definition of related parties is extended to include management entities. Further, the disclosure requirement is also extended to require separate disclosure of transactions for the provision of key management personnel services and the compensation provided by a management entity to its own employees is excluded from the disclosure requirements to prevent duplication.

PAS 36, *Impairment of Assets* – It clarifies that when the fair value less cost to sell is measured using a present value technique, the discount rate (s) used in the current measurement and previous measurement, if any, shall be disclosed. However, the disclosure requirements of PFRS *13 Fair Value Measurements* are not required to be disclosed.

PAS 40, *Investment Property* – The amendment clarifies that judgment is required to determine whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3 *Business Combinations*. Reference should be made to PFRS 3 in determining whether the acquisition is a business combination. The amendment further provides that separate application of the standards shall be made in determining whether a specific transaction meets the definition of both a business combination as defined in PFRS 3 and includes an investment property.

2.02 New and Revised PFRSs in Issue but Not Yet Effective

The Group will adopt the following standards and interpretations enumerated below when they become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS, to have significant impact on the financial statements.

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

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

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

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

  PFRS 9 is effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

- PFRS 14, *Regulatory Deferral Accounts*

  PFRS 14 issued on January 30, 2014, provides temporary guidance for first-time adopters of PFRS on accounting for regulatory deferral account balances. Regulatory deferral account balances are describe as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other Standards, but that qualify to be deferred because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate-regulated goods or services.

  PFRS 14 permits an entity that adopts PFRS to continue to use, in its first and subsequent PFRS financial statements, its previous generally accepted accounting principles (GAAP) accounting policies for the recognition, measurement, impairment and derecognition of regulatory deferral account balances without specifically considering the requirements of paragraph 11 of PAS 8. PFRS 14 requires entities to present regulatory deferral account balances as separate line items in the

statement of financial position and to present movements in those account balances as separate line items in the statement of profit or loss and other comprehensive income. PFRS 14 also requires specific disclosures to identify the nature of, and risks associated with, the rate regulation that has resulted in the recognition of regulatory deferral account balances in accordance with this Standard.

PFRS 14 is effective for a period beginning on or after 1 January 2016. Earlier application is permitted.

- *Improvements to PFRS (2012)* – Effective for annual periods beginning on or after January 1, 2015. Earlier application is permitted.

  PFRS 3, *Business Combinations* – The amendment clarifies that an obligation to pay contingent consideration that meets the definition of financial instruments shall be classified as financial liability or as equity on the basis of the definitions of an equity instrument and a financial liability as provided under PAS 32 *Financial Instruments: Presentations,* without any reference to other PFRS. Subsequently, contingent consideration classified as equity shall not be remeasured and the subsequent settlement shall be accounted for as an equity transaction. Other contingent consideration shall be measured at fair value at each reporting date, any gain or loss shall be recognized in profit or loss, unless the resulting gain or loss is required to be recognized in other comprehensive income.

  PFRS 9, *Financial Instruments* – The consequential amendment to this PFRS clarifies that financial assets shall be measured at amortized cost except when the asset is a contingent consideration to which PFRS 3 *Business Combination* applies. Likewise, financial liability shall be classified as subsequently measured at amortized cost using the effective interest method except for a contingent consideration in a business combination.

  PFRS 13, *Fair Value Measurements* – it clarifies that short-term receivables and payables with no stated interest rate can be measured at invoice amounts without discounting, when the effect of not discounting is immaterial.

- *Improvements to PFRS (2013)* – Effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

  PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations* – The amendments require that an asset reclassified directly from being held sale to being held for distribution, or directly from being held for distribution to being held for sale, the requirements for classification, presentation and measurement shall continue to be applied in accordance with this standard

  PFRS 7, *Financial Instruments: Disclosure* –.The amendments clarifies that the right to service a financial asset transferred may be retained for a fee that is included in the servicing contract. The right to earn a fee for servicing the financial asset is generally continuing involvement for the purpose of applying the disclosure requirements. The service contract must be assessed to determine whether there is a continuing involvement in the financial asset transferred.

  Further, the additional disclosure required by amendments to PFRS 7 *Disclosure–Offsetting Financial Assets and Financial Liabilities* is not specifically required for all interim periods. For condensed financial interim financial statements, the disclosure requirements are required to be given if the financial statements are prepared in accordance with PAS 34 *Interim Financial Reporting* when the inclusion would be required by the standard.

PAS 19, ***Employee Benefits***– it clarifies that the high quality corporate bonds used to estimate the discount rate for post-employment benefit obligations should be denominated in the same currency as the liability and that the depth of the market for high quality corporate bonds should be assessed at the currency level.

PAS 34, ***Interim Financial Reporting***– it clarifies that information shall be disclosed either in the notes to the interim financial statements or elsewhere in the interim financial report, by incorporating cross-reference from the interim financial statements to the other part of the interim financial report which is available to users on the same terms as the interim financial statements and at the same time.

3. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

3.01 Statement of Compliance

The consolidated financial statements have been prepared in conformity with PFRS and are under the historical cost convention, except for financial instruments that are either measured at fair value or amortized cost.

3.02 Basis of Consolidation

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

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

The Parent Company assesses control in consolidating a subsidiary. The parent has control over a subsidiary when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

Non-controlling interests in subsidiaries are presented separately from the equity attributable to equity owners of the Parent Company. Non-controlling shareholders' interest is initially measured at the non-controlling interests' proportionate share of the book value of the acquiree's net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

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

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

3.03 Functional and Presentation Currency

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

4. SIGNIFICANT ACCOUNTING POLICIES

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

4.01 Segment Information

An operating segment is a component of the Group: (a) that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group; (b) whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

The Group reports separately, information about an operating segment that meets any of the following quantitative thresholds: (a) its reported revenue, including both sales to external customers and inter-segment sales or transfers, is 10% or more of the combined revenue, internal and external, of all operating segments, provided that ; (b) the absolute amount of its reported profit or loss is 10% or more of the greater, in absolute amount, of the combined reported profit of all operating segments that did not report a loss and the combined reported loss of all operating segments that reported a loss; and (c) its assets are 10% or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if management believes that information about the segment would be useful to users of the financial statements.

For management purposes, the Group is currently organized into five (5) business segments: Retail segment, Real estate and property leasing segment, Liquor distribution segment, Specialty retail segment, and oil and mining segment. These divisions are the basis on which the Group reports its primary segment information.

4.02 Financial Assets

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

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

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

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

Effective Interest Method

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

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

Amortized Cost

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

Financial Assets at FVTPL

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or ;

• it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss subsequently. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the consolidated statements of comprehensive income. Fair value is determined in the manner described in Note 35.

Available-for-sale Financial Assets

Listed shares held by the Group that are traded in an active market are classified as being AFS and are stated at fair value. The Group also has investments in unlisted shares that are not traded in an active market but are also classified as AFS financial assets and stated at fair value, because the directors consider that fair value can be reliably measured. Fair value is determined in the manner described in Note 27. After initial measurement, AFS financial assets are measured at fair value with unrealized gains or losses. Unrealized gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. The Group also has investments in unlisted shares that are not traded in an active market and are stated at acquisition cost and reduced at each reporting period by any impairment in value.

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

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

Loans and Receivables

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

Day 1 Difference.

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

Impairment of Financial Assets

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

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

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

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

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

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

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

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent

recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

Derecognition of Financial Assets

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

4.03 Inventory

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

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

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

4.04 Investment Property

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

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

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

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

Buildings	10-25
Land improvements	25-50

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

4.05 Property and Equipment

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

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

Wells, platforms and other facilities comprising oil and gas property represents the Group's share in the SC 14's total capitalized exploration and development expenditures. They are amortized using the unit-of-production method based upon estimates of proved developed 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 a 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 cost 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 is computed on the straight-line method based on the estimated useful lives of the assets as follows:

Building	15-30
Storage tanks, platforms, well	25
Furniture and fixtures	2-20
Office and store equipment	2-10
Transportation equipment	3-5

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

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

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

4.06 Intangible Assets

Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of fair value of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGU) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquire are assigned to those units.

Intangible Assets Acquired Separately

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

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

Derecognition of intangible assets

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

4.07 Investments in Associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in an associate is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses in an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

The requirements of PAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36, ***Impairment of Assets,*** as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4.08 Interests in Joint Arrangement

A joint arrangement is a contractual arrangement whereby the Group and other parties have agreed sharing of control of an arrangement, which exist only when decisions about relevant activities require the unanimous consent of the parties sharing. The sharing of control is also known as joint control. A joint arrangement can either be a joint venture or a joint operation.

4.04.01 Joint Venture

A joint venture is a joint arrangement whereby the Group and other parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Group reports its interests in a joint venture using equity method.

Under the equity method, an investment in joint venture is initially recognized in the statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extent of the Group's interest in the joint venture.

When the equity method is discontinued Group recognizes its retained interest at fair value. The difference between the carrying amount of the investment at the time the equity method was discontinued and the fair value of retained interest plus any proceeds from disposing of a part of interest is recognized in profit or loss. Amounts that were previously recognized in other comprehensive income in relation to the investment are accounted on the basis as would have been required if the investee had directly disposed of the related assets or liabilities.

The requirements of PAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PAS 36 ***Impairment of Assets*** as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4.09 Impairment of Assets

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

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

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

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

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

4.10 Borrowing Costs

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

4.11 Financial Liabilities and Equity Instruments

Classification as Debt or Equity

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

Financial Liabilities

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

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

Other Financial Liabilities

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

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

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

Derecognition of Financial Liabilities

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

Equity Instruments

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

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

4.12 Offsetting of Financial Instruments

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

4.13 Employee Benefits

Short-term Benefits

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

Post-employment Benefits

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

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

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

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

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

4.14 Provisions

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

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

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

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

4.15 Revenue Recognition

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

Sale of Goods

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

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

Other Service Income

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

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

Dividend and Finance Income

Dividend income from investments is recognized when the shareholder's right to receive payment has been established, provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably.

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

Rental Income

The Group's policy for recognition of revenue from operating leases is described in Note 4.17.

4.16 Expense Recognition

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

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

4.17 Leasing

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

The Group as Lessor

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

The Group as Lessee

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

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

4.18 Foreign Currency Transactions

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency, i.e. foreign currencies, are recognized at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences are recognized in profit or loss in the period in which they arise.

4.19 Related Parties and Related Party Transactions

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

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

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

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

A related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a price is charged. Transactions between related

parties are accounted for at arm's-length prices or on terms similarly offered to non-related entities in an economically comparable market.

4.20 Taxation

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

Current Tax

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

Deferred Tax

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

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

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

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

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

Current and Deferred Tax for the Period

Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items that are recognized outside profit or loss, whether in

other comprehensive income or directly in equity, in which case the tax is also recognized outside profit or loss.

4.21 Earnings Per Share

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

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

4.22 Events after the Reporting Period

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

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

5.01 Critical Judgments in Applying Accounting Policies

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

Distinction between Property and Equipment and Investment Properties

The Group determines whether a property qualifies as investment property. In making its judgments, the Group considers whether the property generates cash flows largely independent of the other assets held by the entity. Owner-occupied properties generate cash flows that are attributable not only to the property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rental or for capital appreciation and another portion that is held for use in the production of supply of goods and services or for administrative purposes. If these portions can be sold separately (or leased out separately under finance lease), the Group accounts for the portions

separately. If the portion cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

The Group classified its land and building as investment properties. The carrying amounts of investment properties amounted to ₱13,506,056,191 and ₱12,773,920,323 as at March 31, 2015 and December 31, 2014, respectively, as disclosed in Note 15.

Application of Pooling of Interest Method

Business combinations under common control are outside the scope of PFRS 3, ***Business Combinations***, and PFRSs has no other specific guidance in accounting for such transaction. Accordingly, the Management has used judgment in developing an accounting policy that is relevant and reliable. In line with this, the Management has also considered the most recent pronouncement of the Philippine Interpretations Committee (PIC) on the application of pooling of interest.

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

Assessment of Control

The Group determines whether an entity qualifies as a subsidiary when it has control over an entity. The Group controls an entity when it has the three elements of control as disclosed in Note 2.2. In making its judgments, The Group considers all facts and circumstance when assessing control over an investee. A reassessment of control is conducted when there are changes to one or more of the three elements of control. Any changes from at least one of the elements would result to lose or gain of control over an entity.

As at March 31, 2015 and December 31, 2014, Management assessed that there were no changes in the elements of control in each subsidiary.

5.02 Key Sources of Estimation Uncertainty

There have been no material revisions to the nature and amount of changes in estimates of amounts reported in the previous period. The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Estimating Useful Residual Values, Useful Lives and Depreciation Methods of Property and Equipment and Investment Properties

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

Management assessed that there were no significant changes from the previous estimates. The aggregate carrying amounts of investment property and property and equipment amounted to ₱28,930,365,319 and ₱28,059,108,552 as at March 31, 2015 and December 31, 201, respectively, as disclosed in Notes 14 and 15.

Reviewing Residual Values, Useful Lives and Amortization Method of Intangible Assets

The residual values, useful lives and amortization method of the Group's intangible assets are reviewed at least annually, and adjusted prospectively if appropriate, if there is an indication of a significant change in, how an asset is used; technological advancement; and changes in market prices since the most recent annual reporting date. Amortization begins when the intangible asset is available for use, i.e. when it is in the location and condition necessary for it to be usable in the manner intended by management. Amortization ceases when the asset is derecognized. The Group uses a straight line method of amortization since it cannot determine reliably the pattern in which it expects to consume the asset's future economic benefits.

Management assessed that there were no significant changes from the previous estimates. The aggregate carrying amounts of intangible assets excluding goodwill amounted to ₱28,930,365,319 and ₱28,059,108,552 as at March 31, 2015 and December 31, 201, respectively, as disclosed in Note 16.

Asset Impairment

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

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

As at March 31, 2015 and December 31, 2014, the aggregate carrying amount of non-financial assets is as follows:

	2015	2014
Property and equipment	**₱ 15,424,309,128**	₱ 15,285,188,229
Investment properties	**13,506,056,191**	12,773,920,323
Deferred oil and mineral exploration costs	**119,168,055**	119,168,419
Investments	**926,386,789**	912,065,182
Intangible assets and goodwill	**21,381,211,655**	20,895,164,609
	₱ 51,357,131,818	₱ 49,985,506,762

Estimating Realizability of Deferred Tax Assets

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

Deferred tax assets amounted to ₱123,421,786 and ₱120,214,897 as at March 31, 2015 and December 31, 2014, respectively.

Estimating Allowances for Doubtful Accounts

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

The amounts and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in the

allowance for doubtful accounts would increase the recognized operating expenses and decrease current assets.

In 2015 and 2014, the Group recognized additional provision for doubtful accounts amounting to ₱11,294,211 and ₱6,371,835, respectively, as a result of the review on the collectability of trade and other receivables. The carrying amount of receivables as at March 31, 2015 and December 31, 2014 amounted to ₱6,030,448,778 and ₱5,321,986,551, respectively, as disclosed in Note 9.

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 proved 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. Proved 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. Theses 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 proved developed reserves are also subject to change.

Proved 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 production reservoirs. Proved 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 proved developed reserves only include volumes for which access to market is assured with reasonable certainty. All proved developed reserve estimates are subject to revision, either upward or downward, based on new information, such as from development t drilling and production activities of 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 that 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.

Post-employment Benefits

The determination of the retirement obligation and cost and other retirement benefits is dependent on the selection of certain assumptions used by actuaries in calculating such amounts. Those assumptions include among others, discount rates, and rates of compensation increase. In accordance with the PFRS, actual results that differ from the assumptions are recognized as remeasurements in other comprehensive income and therefore, generally affect recorded obligation. While the Company believes that the assumptions are reasonable and appropriate, significant differences in the actual experience or significant changes in the assumptions may materially affect the pension and other retirement obligations.

As at March 31, 2015 and December 31, 2014, the Group's retirement benefit liability amounted to ₱433,921,748 and ₱433,436,122, respectively, as disclosed in Note 30. Remeasurements recognized as other comprehensive income amounted to ₱49,793,434, net of related tax.

Estimating Impairment of Available-for-sale Financial Assets

The Company treats AFS equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost. This determination of what is significant or prolonged requires judgment. The Company treats "significant" generally as 20% or more of the original cost of the investment, and "prolonged" as greater than 12 months. In making this judgment, the company evaluates among other factors, the normal volatility of quoted prices, evidence of deterioration in the financial health of the investee, industry or sector performance, changes in technology and economic environment. For AFS investment carried at cost, the Company estimates the expected future cash flows from the investment and calculates the amount of impairment as the difference between the present value of expected future cash flows from the investment and its acquisition cost and recognizes the amount in the statement of comprehensive income.

As at March 31, 2015 and December 31, 2014, the Group assessed that the changes in the fair value of the investment are temporary, thus no impairment loss was recognized. The carrying value of investment in trading securities amounted to ₱40,934,859 and ₱37,448,469 as at March 31, 2015 and December 31, respectively, as disclosed in Note 13.

Estimating Net Realizable Value (NRV) of Merchandise Inventory

Net realizable values of inventories are assessed regularly based on the prevailing selling prices of inventories less estimated costs to sell. The Group recognizes expense and provides allowance for decline in value of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes on price levels or other causes. Inventory items identified to be obsolete and unusable is written off and charged against allowance account. Increase in the net realizable values will increase the carrying amount through reduction of allowance for decline but only to the extent of original acquisition cost.

The carrying amount of merchandise inventory amounted to ₱14,440,851,131 and ₱13,921,685,345 as at March 31, 2015 and December 31, 2014, respectively, as disclosed in Note 10.

6. SEGMENT INFORMATION

Products and Services from which Reportable Segments Derive their Revenues

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

Retail	Includes selling of purchased goods to a retail market
Real estate and property leasing	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
Specialty retail	Includes selling of office supplies both on wholesale and retail business and import, export, storage and transshipment of liquefied petroleum gas (LPG), filling and distributions of LPG cylinders as well as distributions to industrial, wholesale and other customers
Oil and Mining	Includes exploration, development and production of oil, gas, metallic and nonmetallic reserves

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

Information regarding the Group's reportable segments is presented hereunder:

Segment Revenue and Results

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

	Segment Revenues		Segment Profit	
	2015	2014	**2015**	2014
Retail	**₱ 20,688,726,889**	₱ 18,384,529,901	**₱ 1,054,196,539**	₱ 943,386,819
Real estate and property leasing	**543,981,809**	445,315,979	**228,749,570**	194,873,387
Liquor distribution	**1,031,201,059**	730,789,232	**122,604,948**	112,123,813
Specialty retail	**3,611,826,888**	₱ -	**138,571,065**	₱ -
Parent, oil and mining	**205,822**	262,502	**-50,332,912**	28,540,492
Total	**25,875,942,467**	19,560,897,614	**₱ 1,493,789,210**	1,278,924,511

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

	2015	2014
Retail		
From external customers	**₱ 20,688,726,889**	₱ 18,384,529,901
From inter-segment sales		-
	20,688,726,889	18,384,529,901
Real estate and Property Leasing		
From external customers	**359,130,893**	274,726,993
From inter-segment sales	**184,850,916**	170,588,986
	543,981,809	445,315,979
Liquor distribution		
From external customers	**969,762,760**	570,094,667
From inter-segment sales	**61,438,300**	160,694,565
	1,031,201,060	730,789,232
Specialty Retail		
From external customers	**3,611,264,226**	-
From inter-segment sales	**562,662**	-
	3,611,826,888	-
Parent, Oil and Mining		
From external customers	**205,822**	262,502
From inter-segment sales		-
	205,822	262,502
Total revenue from external customers	**₱ 25,629,090,589**	₱ 19,229,614,062

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit earned by each segment without allocation of investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

No single customer contributed 10% or more to the Group's revenue for the periods ended March 31, 2015 and 2014.

Segment Assets and Liabilities

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

	2015	2014
Segment Assets		
Retail	**₱ 50,615,569,222**	₱ 53,666,395,695
Real estate	**19,987,548,030**	17,845,539,557
Liquor Distribution	**4,121,992,378**	4,709,056,173
Specialty Retail	**3,734,218,472**	4,017,731,147
Parent, Oil and Mining	**96,125,918,970**	97,954,715,405
Total segment assets	**174,585,247,072**	178,193,437,977
Intercompany assets	**87,839,484,863**	88,494,858,437
Total assets	**86,745,762,210**	89,698,579,540

Segment Liabilities				
Retail		**15,328,908,625**		19,432,901,026
Real estate		**6,710,758,599**		6,007,828,276
Liquor Distribution		**1,879,758,913**		2,589,759,625
Specialty retail		**1,199,684,116**		1,628,238,975
Parent, oil and mining		**8,560,106,571**		9,625,148,334
Total segment liabilities		**33,679,216,824**		39,283,876,236
Intercompany liabilities		**8,071,651,145**		9,264,061,033
Total liabilities	**P**	**25,607,565,678**	P	30,019,815,203

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

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

7. CASH AND CASH EQUIVALENTS

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

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

		2015		2014
Cash on hand	₱	**383,955,466**	₱	1,326,831,502
Cash in banks		**2,155,309,625**		2,877,998,722
Cash equivalents		**6,194,469,833**		11,476,180,594
	₱	**8,733,734,924**	₱	15,681,010,818

Cash in banks earn interest at the respective bank deposit rates. Money market placements are highly liquid investments that are readily convertible into cash and are subject to insignificant risk of changes in value. Finance income amounted to ₱31,115,659 and ₱39,047,980 for the periods ended March 31, 2015 and 2014 respectively, as disclosed in Note 30.

8. 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 2015 and 2014.

Short-term investments arises from the following subsidiaries:

		2015		2014
Nation Realty Realty, Inc.	₱	**474,941,326**	₱	472,361,589
Patagonia Holdings, Corp.		**242,137,254**		204,379,143
Ellimac Prime Holdings, Inc.		**75,498,967**		75,498,968
118 Holdings, Inc.		**71,838,415**		71,838,415
	₱	**864,415,962**	₱	824,078,115

9. RECEIVABLES - net

The Group's receivables consist of:

	2015	2014
Trade receivables	₱ 5,282,452,620	₱ 4,611,226,154
Non-trade receivables	897,989,944	676,649,276
Others	25,757,617	198,568,313
	6,206,200,181	5,486,443,743
Allowance for doubtful accounts	175,751,403	164,457,192
	₱ 6,030,448,778	₱ 5,321,986,551

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.

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

	2015	2014
Beginning balance	₱ 164,457,192	₱ 20,581,380
Effect of business combination	-	193,433,835
Impairment losses recognized during the period/year	11,294,211	6,371,835
Write-off during the year	-	(55,929,858)
Ending balance	₱ 175,751,403	₱ 164,457,192

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.

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

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

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

10. MERCHANDISE INVENTORY

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

The Groups merchandise inventory as at March 31, 2015 and December 31, 2014 amounted to ₱14,440,851,131 and ₱13,921,685,345, respectively.

Inventories amounting to ₱21,228,356,742 and ₱15,684,475,067 were recognized as expense for the period ended March 31, 2015 and 2014, respectively, as disclosed in Note 27.

11. PREPAID EXPENSES AND OTHER CURRENT ASSETS

This account consists of:

	2015	2014
Input value added tax (VAT)	₱ 1,160,138,242	₱ 457,008,801
Prepaid expenses	1,130,803,897	342,350,732
Creditable withholding tax	276,887,390	90,062,840
Advances to suppliers	67,985,069	211,920,443
Deferred input VAT	-	30,643,394
Others	94,890,027	32,928,139
	₱ 2,730,704,625	₱ 1,164,914,349

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

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

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

Deferred input VAT represents accumulated input taxes for purchases of capital assets more than ₱1,000,000 and unbilled services for the building and leasehold construction which can be applied against future output VAT.

12. INVESTMENT 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.

Movement of the account is as follows:

		2015		2014
Beginning balance	₱	**37,448,469**	₱	28,867,376
Additions		**837,092**		-
Disposals		-		-
Fair value gain		**2,649,298**		8,581,093
	₱	**40,934,859**	₱	37,448,469

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

		2015		2014
Investment in shares of stock	₱	**6,963,346**	₱	6,363,758
Investment in debt securities		**7,913,266**		7,913,266
	₱	**14,876,612**	₱	14,277,024

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

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

Reserve for changes in value of AFS financial assets amounted to ₱6,601,915 and ₱6,932,418 as at March 31, 2015 and December 31, 2014, respectively.

14. PROPERTY AND EQUIPMENT

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

	Building	Furniture and Fixtures	Office and store equipment	Leasehold improvement	Land	Construction-in-progress	Transportation equipment	Wells, platforms and other facilities	Storage tanks	Total
Cost										
Balance as at January 1, 2014	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 as at December 31, 2014	5,406,313,008	1,713,588,815	3,724,248,006	5,326,384,296	386,605,819	186,940,748	386,451,894	204,955,281	1,447,389,080	18,782,876,947
Transfer in	-	51,159,695	145,562,057	92,796,503	-	-	-	-	-	289,518,255
Additions	134,189,068	34,523,316	121,657,540	110,609,036	17,134,337	83,705,461	8,772,907	-	18,069,945	528,661,610
Reclassifications	(68,173,820)	(313,828)	(73,864)	(35,570,211)	-	104,131,723	-	-	-	-
Disposals	-	(12,799)	(39,286)	-	-	-	-	-	(6,449,874)	(6,501,959)
Adjustments	-	-	-	(128,657,727)	-	-	-			(128,657,727)
Balance as at March 31, 2015	5,472,328,256	1,798,945,199	3,991,354,453	5,365,561,897	403,740,156	374,777,932	395,224,801	204,955,281	1,459,009,151	19,465,897,126
Accumulated Depreciation										
Balance as at January 1, 2014	78,082,426	84,944,269	332,876,839	124,043,341	-	-	23,094,953	44,917,503	12,410,458	700,369,789
Additions/effect of business combination	806,659,930	177,961,432	127,153,080	36,237,103	-	-	70,952,904	-	330,306,942	1,549,271,391
Adjustments	207,103	(628,085)	(131,360)	552,342	-	-	-	-	-	-
Depreciation and amortization	178,478,923	155,922,670	674,961,548	259,470,832	-	-	10,893,832	-	42,343,096	1,322,070,901
Disposals/retirements	(45,138)	(3,027,315)	(18,167,738)	(47,278,326)	-	-	(4,676,214)	-	(828,632)	(74,023,363)

Balance as at December 31, 2014	1,063,383,244	415,172,971	1,116,692,369	373,025,292	-	-	100,265,475	44,917,503	384,231,864	3,497,688,718
Transfer in	-	37,073,563	119,333,635	35,991,600	-	-	-	-	-	192,398,798
Depreciation and amortization	54,933,168	40,086,971	175,038,185	57,828,763	-	-	7,394,756	-	16,231,439	351,513,282
Reclassification	-	(24,615)	(1,231)	25,846	-	-	-	-	-	-
Disposals/Retirements	-	(12,800)	-	-	-	-	-	-	-	(12,800)
Balance as at March 31, 2015	1,610,612,502	455,247,142	1,411,062,958	466,871,501	-	-	107,660,231	44,917,503	400,463,303	4,041,587,998
Carrying amount										
December 31, 2014	4,342,929,764	1,298,415,844	2,607,555,637	4,953,359,004	386,605,819	186,940,748	286,186,419	160,037,778	1,063,157,216	15,285,188,229
March 31, 2015	3,861,715,754	1,343,698,057	2,580,291,495	4,898,690,396	403,740,156	374,777,932	287,564,570	160,037,778	1,058,545,848	15,424,309,128

15. INVESTMENT PROPERTIES

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

		Building		Land		Construction-in-progress		Total
Cost								
Balance as at January 1, 2014	₱	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 as at December 31, 2014		5,484,284,568		7,491,564,276		354,529,274		**13,330,378,118**
Additions		174,207,310		596,593,238		14,487,021		**785,287,569**
Adjustment		(17,661,157)						**(17,661,157)**
Balance as at March 31, 2015	**₱**	**5,640,830,721**	**₱**	**8,088,157,514**	**₱**	**369,016,295**	**₱**	**14,098,004,530**
Accumulated Depreciation								
Balance as at January 1, 2014	₱	58,166,358	₱	(23,432)	₱	-	₱	**58,142,926**
Effect of business combination		374,590,274				-		**374,590,274**
Depreciation and amortization		123,724,595				-		**123,724,595**
Balance as at December 31, 2014		556,481,227		(23,432)		-		**556,457,795**
Depreciation and amortization		35,490,545						**35,490,545**
Balance as at March 31, 2015	**₱**	**591,971,772**	**₱**	**(23,432)**	**₱**	-	₱	**591,948,340**
Carrying amount								
December 31, 2014	₱	4,927,803,341	₱	7,491,587,708	₱	354,529,274	**₱**	**12,773,920,323**
March 31, 2015	**₱**	**5,048,858,950**	**₱**	**8,088,180,946**	**₱**	**369,016,295**	**₱**	**13,506,056,191**

As at March 31, 2015 and December 31, 2014, the fair value of the investment properties amounted to P23.5 billion based on independent appraisals obtained in 2012. The fair value of the land and buildings is determined based on the comparative sales of similar or substitute properties and related market data and is based on current cost and comparison with similar new properties, respectively. 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 March 31, 2015 and December 31, 2014, the aggregate fair values of NPSCC's properties amounted to P995.8 million in both years. The fair values are based on the appraisal report by an independent appraiser using the Cost and Market Data Approaches.

The rental income earned by the Group from these properties amounted to ₱464,659,563 and ₱354,096,667 in 2015 and 2014, respectively, as disclosed in Notes 26, 28 and 33.

Direct costs incurred pertaining to the lease of these properties for the periods ended March 31, 2015 and 2014 amounted to ₱170,176,489 and ₱128,216,240, respectively, as disclosed in Note 27.

16. INTANGIBLE ASSETS – net

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

	2015	2014
Goodwill	**₱ 16,562,192,324**	₱ 16,060,828,616
Trademark	**3,709,660,547**	3,709,660,547
Customer relationship	**889,452,981**	889,452,981
Leasehold rights	**69,010,609**	69,952,547
Computer software – net	**150,895,194**	165,269,918
	₱ 21,376,239,775	₱ 20,895,164,609

Goodwill

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)	₱ P11,370,121
Kareila	12,079,473,835
Gant Group of Companies Incorporated (Gant)	742,340,804
	12,833,184,760
2013	
Merger of PJSI and Gant to PPCI	4,142
Company E	358,152,015
	13,191,340,917
2014	
NPSCC	457,304,121
OWI	886,891,054
LPC	1,473,850,963
CHC	9,450
CPHI	51,432,111
	2,869,487,699
2015	
DCI and FLSTCI	**501,363,708**
	₱ 16,562,192,324

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 of the Group's goodwill are as follows:

Acquisition of PJSI

Acquisition cost*	₱	50,003,542
Fair value of net assets (June 30, 2010)		38,629,279
Goodwill	**₱**	**11,374,263**

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

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	₱	**16,477,734,375**
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	**₱**	**12,079,473,835**

**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.

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	₱ 743,840,962
Fair value of net assets	1,500,158
Goodwill	**₱ 742,340,804**

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.

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.

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	₱ 404,065,000
Fair value of net assets	45,912,985
Goodwill	**₱ 358,152,015**

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.

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:

Assets		
Cash and cash equivalents	₱	136,768,065
Receivables		27,864,675
Prepayments and other current assets		7,828,808
Investment properties		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	₱	**470,440,593**

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

Cash consideration transferred	₱	1,451,181,250
Fair value of net assets		(993,877,129)
Goodwill	₱	**457,304,121**

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.

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	₱	219,224,557
Noncurrent assets		108,198,876
Current liabilities		126,314,487
Total identifiable net assets at fair value	₱	**(201,108,946)**

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

Cash consideration transferred	₱	1,088,000,000
Fair value of net assets		(201,108,946)
Goodwill	**₱**	**886,891,054**

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*	₱	50,000,000
2nd installment	1st year after the Closing date*		25,000,000
3rd installment	2nd year after the Closing date*		25,000,000
		₱	100,000,000

**Closing *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.

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	₱	2,412,058,244
Noncurrent assets		1,288,719,210
Current liabilities		1,446,223,573
Noncurrent liabilities		27,220,776
Total identifiable net assets at fair value	**₱**	**2,227,333,105**

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

Cash consideration transferred	₱	3,478,450,758
Fair value of net assets (90%)		(2,004,599,795)
Goodwill	**₱**	**1,473,850,963**

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.

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	₱	50,000
Current Liabilities		3,505,643,800
		3,500,704,300
Noncurrent Liabilities		
Total identifiable net assets at fair value	**₱**	**4,989,500**

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

Acquisition cost	₱	4,500,000
Fair value of net assets (90%)		4,490,550
Goodwill	**₱**	**9,450**

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.

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	₱	34,021,543
Current Liabilities		30,103,778
Noncurrent Liabilities		5,508,999
Total identifiable net assets at fair value	**₱**	**(1,591,234)**

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

Cash consideration transferred	₱	50,000,000
Fair value of net assets (90%)		1,432,111
Goodwill	**₱**	**51,432,111**

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 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.

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

On February 3, 2015, the Group through Entenso acquired 100.00% interest in DCI and FLSTCI for a total cost of P768.49 million. DCI and FLSTCI is a local entity currently engaged in the business of trading goods on a wholesale and retail basis.

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

Acquisition cost	₱ 768,485,000
Fair value of net assets	267,121,292
Goodwill	**₱ 501,363,708**

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

There was no identifiable intangible asset as at acquisition and valuation dates. The excess of the purchase price over the assets acquired and the liabilities assumed is attributable to goodwill amounting to P501.4 million.

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 March 31, 2015 and December 31, 2014.

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 March 31, 2015 and December 31, 2014 consists of:

		Computer Software		Leasehold Rights		Total
Cost:						
Balance, January 1, 2014	₱	204,283,187	₱	75,355,005	₱	279,638,192
Additions		28,558,800		-		28,558,800
Balance, December 31, 2014		232,841,987		75,355,005		308,196,992
Additions		45,723,278		-		45,723,278
Adjustment		(51,867,660)		-		(51,867,660)
Balance, March 31, 2015		**226,697,605**		**75,355,005**		**302,052,610**
Accumulated amortization						
Balance, January 1, 2014		67,570,110		1,634,708		69,204,818
Amortization		8,760,087		3,767,750		12,527,837
Balance, December 31, 2014		76,330,197		5,402,458		81,732,655
Amortization		4,444,093		941,938		5,386,031
Balance, March 31, 2015	**₱**	**80,774,290**	**₱**	**6,344,396**	**₱**	**87,118,686**
Carrying amount						
December 31, 2014	₱	156,511,790	₱	69,952,547	₱	226,464,337
March 31, 2015	**₱**	**145,923,315**	**₱**	**69,010,609**	**₱**	**214,933,924**

17. INVESTMENTS

The details of investments and acquisitions of subsidiaries are as follows:

		2015		2014
Investments in joint ventures	₱	**467,698,390**	₱	450,455,093
AFS financial assets		**398,776,037**		398,776,037
Investment in associate		**62,201,983**		62,834,052
	₱	**928,676,410**	₱	912,065,182

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 ₱371,896,077. 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 ₱617,500 and Meralco preferred shares amounting to ₱7,261,660 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.

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 ₱100.00 par value for a total investment of ₱350 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 ₱150 million or 30% interest in the joint venture.

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

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

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

The redeemable preferred shares shall have the following features:

(a) Voting rights;

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

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

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

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

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

		2015		2014
Carrying amount	₱	**42,726,149**	₱	60,000,000
Share in net income (loss)		**20,050,582**		(17,273,851)
	₱	**62,776,731**	₱	42,726,149

Specialty Retail

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

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

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

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

		2015		2014
Balance at beginning of year	₱	**`55,628,720**	₱	56,684,154
Share in net results		**(707,061)**		(1,055,434)
Adjustments		**2,100,224**		2,100,224
Balance at end of year	₱	**57,021,883**	₱	57,728,944

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:

		2015		2014
Balance at beginning of year	₱	**25,133,620**	₱	23,531,355
Share in net results		**334,796**		1,602,265
Balance at end of year	₱	**25,468,416**	₱	25,133,620

Holding

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

		2015		2014
Acquisition Cost	₱	**22,958,280**	₱	22,958,280
Accumulated share in results				
January 1		**14,742,152**		12,338,753
Share in net results for the year		**(717,421)**		2,403,399
December 31		**14,024,731**		14,742,152
	₱	**36,983,011**	₱	37,700,432

18. DEFERRRED OIL AND MINERAL EXPLORATIONS COSTS

This account consists of:

	Participating Interest	2015	2014
Oil exploration costs:			
SC 14 21			
Block C2 (West Linapacan)	1.53%	₱ **53,646,907**	₱ 53,647,271
Block B1 (North Matinloc)	13.55%	**746**	746
Block D	5.84%	**8,011,133**	8,011,133
		61,658,786	61,659,150
SC 6A			
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 6B (Bonita)	2.11%	**6,304,904**	6,304,904
SC 51	9.32%	**32,817,032**	32,817,032
Other oil projects		**527,310**	527,310
		39,833,563	39,833,563
		118,415,649	118,653,323
Mineral exploration costs:			
Anoling gold project	3%	**13,817,326**	13,817,326
Gold Projects	100%	**12,891,933**	12,891,933
Nickel project	100%	**19,208,048**	19,208,048
Cement project	100%	**9,603,218**	9,603,218
Other mineral projects		**382,338**	382,338
		55,943,185	55,943,185
Accumulated impairment losses for unrecoverable deferred mineral exploration costs;			
Balance at beginning of year		**(56,092,352)**	(23,443,955)
Impairment losses for year			(32,648,397)
Balance at end of year		**(56,092,352)**	(56,092,352)
		(149,167)	(149,167)
Other deferred charges		**620,099**	664,263
		₱ **119,168,055**	₱ 119,168,419

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

Gabon - Etame, Offshore Gabon, West Africa

On February 23, 2001, the 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.

SC 6A (Octon ad North Block) - Offshore Northwest Palawan Philippines

The SC 6A oil field, discovered in 1990, is located in Offshore Northwest Palawan near Galoc Block. As at December 31, 2011, 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 March 31, 2015 and December 31, 2014, there were no further developments on the said project.

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

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 March 31, 2015 and December 31, 2014 and 2013, there were no further developments on the said project.

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

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 March 31, 2015 December 31, 2014, there were no further developments on the said project.

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 March 31, 2015 and December 31, 2014 and 2013, there were no further developments on the said project.

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

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

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

Exploration Permit No. 000071 - Copper Project, Concepcion, Iloilo

On June 22, 2010, the exploration permit application was registered and approved by the regional office of MGB-6 in Iloilo City. All surface activities remained suspended. The 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.

19. OTHER NON-CURRENT ASSETS

This account consists of:

		2015		2014
Security deposits	₱	**1,279,987,272**	₱	1,240,131,409
Accrued rent income		**786,934,246**		651,721,623
Input VAT		-		438,980,985
Prepaid rent		**160,141,934**		268,363,507
Others		**160,147,254**		10,215,248
	₱	**2,387,210,706**	₱	2,609,412,772

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

20. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

		2015		2014
Trade	₱	**4,530,146,950**	₱	10,229,399,448
Non-trade		**1,250,528,139**		296,346,605
Accrued expense		**1,489,576,756**		767,261,270
Withholding taxes payable and other statutory payables		**194,121,644**		357,660,492
Deferred rent income		-		19,374,091
Construction bonds		-		5,928,037
Others		**39,180,552**		123,471,504
	₱	**7,503,554,041**	₱	11,799,441,447

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.

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.

Accrued expenses consist of accruals of manpower agency services, utilities, rent, brand promotions and professional fees.

21. LOANS PAYABLE

This account is consist of:

Short-term Loans Payable

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

			2015		2014
Liquor	Short-term note based on 2.375%	₱	**360,000,000**	₱	555,600,000
Specialty retail	Short-term note based on 2.375%		-		340,000,000
Retail	Short-term note based on 2.5%		**75,000,000**		75,000,000
Retail	Short-term note based on 2.375%		**1,367,500,000**		780,000,000
Retail	Short-term note based on 3.75%		**508,500,000**		508,500,000
		₱	**2,311,000,000**	₱	2,259,100,000

The Group issued and executed the following notes:

Execution Date	Maturity Date	Interest Rate		Principal
November 28, 2014	January 5, 2015	2.375	₱	340,000,000
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
January 5, 2015	April 6, 2015	2.375		60,000,000
February 5, 2015	May 6, 2015	2.375		587,500,000
February 17, 2015	May 18, 2015	2.375		300,000,000
			₱	**2,698,100,000**

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.

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.

Long-term Loans Payable

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

	2015	2014
Loan Facilities (net of debt issuance costs)		
Fixed-Rate Peso Corporate Notes	**₱ 4,960,368,630**	₱ 4,960,368,630
Less current portion	**45,947,906**	44,869,262
	₱ 4,961,447,274	₱ 4,915,499,368

Movements in debt issuance costs are as follows:

	2015	2014
Balance at beginning of year	**₱ 39,631,370**	₱ -
Debt issuance costs during the year	-	42,715,758
Amortization during the year	**1,078,644**	3,084,388
Balance at end of year	**₱ 38,552,726**	₱ 39,631,370

Repayment Schedule

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

Year	Gross Amount	Debt Issuance Cost	Net
2015	₱ 50,000,000	₱ 5,130,738	₱ 44,869,262
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
	₱ 5,000,000,000	**₱ 39,631,370**	**₱ 4,960,368,630**

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:

Seven-year Fixed-Rate Peso Corporate Notes

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:

- 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
- 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.

Ten-year Fixed-Rate Peso Corporate Notes

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:

- 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
- 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 P67.6 million in 2015

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

Segment	Unsecured Peso Denominated		2015		2014
Retail	Fixed rate note based on 3.5%	₱	**1,993,583,301**	₱	1,993,114,552
Retail	Fixed rate note based on 3.25%		**963,561,668**		962,920,038
Retail	Fixed rate note based on 3.5%		**500,000,000**		500,000,000
Real Estate	Fixed rate note based on 4.5%		**1,504,000,000**		1,450,000,000
			4,961,144,969		4,906,034,590
	Less current portion		**963,561,668**		962,920,038
		₱	**3,997,583,301**	₱	3,943,114,552

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.

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

The movements in debt issue costs are as follows:

		2015		2014
Balance at beginning of the year	₱	**7,665,410**	₱	11,985,067
Amortizations		**(1,110,380)**		(4,319,657)
Balance at end of year	₱	**6,555,030**	₱	7,665,410

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 March 2015 and December 2014 and recognized in building and leasehold improvements under property and equipment accounts. Remaining interest expense that was charged to profit and loss amounted to P16.16 million and P47.3 million in March 2015 and 2014, respectively.

Repayment Schedule

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

Year		2015		2014
2015	₱	**963,700,000**	₱	1,463,700,000
2018		**2,500,000,000**		2,500,000,000
	₱	**3,463,700,000**	₱	3,963,700,000

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.

On January 14, 2015, the Real Estate segment obtained additional loan amounting to P54 million.

Interest expense incurred amounted to P16.30 million and P5.36 million for the periods ended March 31, 2015 and 2014, respectively.

22. OTHER CURRENT LIABILITIES

This account consists of:

		2015		2014
Deposits	₱	**47,512,067**	₱	258,577,267
Promotion fund		-		76,806,772
Unredeemed gift certificates		-		66,275,200
Output VAT		**9,976,437**		4,031,365
Others		**296,340,416**		3,227,290
	₱	**353,828,920**	₱	408,917,894

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

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

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

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

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

23. DEPOSIT FOR FUTURE STOCK SUBSCRIPTION

The Group thru Office Warehouse, Inc. (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.

24. RELATED PARTY TRANSACTIONS

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

Related Party	Year	Amount of Transactions for the Year	Due from Related Parties	Due to Related Parties	Terms	Conditions
Officers						
▪ Advances	**2015**			**53,035,220**	Due and demandable;	Unsecured
	2014	P5,780,297	P1,895,737	P7,676,034	non-interest bearing	
Under Common Control						
▪ Advances	**2015**		**13,441,390**	**12,698,444**	Due and demandable;	Unsecured
	2014	13,851,299	16,148,701	25,607	non-interest bearing	
▪ Rent expense	**2015**				Due and demandable;	Unsecured
	2014	6,616,944	-	-	non-interest bearing	
Associates						
▪ Throughput fees	**2015**	**2,500,000**	-	**8,250,000**	Outstanding balance is settled in cash within a month after the end of each quarter; non-interest bearing	Unsecured
	2014	30,000,000	-	8,250,000		
▪ Loans	**2015**				Due and demandable;	Unsecured
	2014	14,983,614	-	-		
▪ Concession expense	**2015**				Due and demandable;	Unsecured
	2014	478,759,373	-	-	non-interest bearing	
Key Management Personnel						
▪ Royalty expense	**2015**				Due and demandable;	Unsecured
	2014	33,317,078	-	26,654,003	non-interest bearing	
▪ Short-term benefits	**2015**					
	2014	73,344,955	-	-		
Total	**2015**					
Total	**2014**		**P18,044,438**	**P42,605,644**		

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

Officers

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

Under Common Control

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

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.

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.

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.

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.

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.

25. ISSUED CAPITAL

The issued capital of the Group is as follows:

		2015		2014
Capital stock	₱	**7,405,263,564**	₱	7,405,263,564
Additional paid-in capital		**9,634,644,229**		9,634,644,229
	₱	**17,039,907,793**	₱	17,039,907,793

Capital Stock

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

	2015		2014	
	Shares	**Amount**	Shares	Amount
Authorized	**10,000,000,000**	**₱ 10,000,000,000**	10,000,000,000	₱10,000,000,000
Issued and fully paid				
Balance, January 1	**7,405,263,564**	**₱ 7,405,263,564**	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 March 31, 2015 and December 31, 2014.

Treasury Shares

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 March 31, 2015 and December 31, 2014, the Parent Company already bought back 6,000,000 and 472,200 shares with acquisition cost of ₱45,824,443 and ₱3,963,490, respectively, and was classified in the Parent Company's book as treasury stocks.

On December 18, 2014, the BOD approved to buy back the shares of Puregold Price Club, Inc. up to P1.00 billion or approximately 30 million shares within one year from the approval or until November 4, 2015. As at March 31, 2015 and December 31, 2014, the Parent Company already bought back 125,000 and 100,000 shares with acquisition cost of P4,930,213 and P3,899,602, respectively, and was classified in the Parent Company's book as treasury stocks.

Treasury shares amounting to ₱244,757,527 pertain to shares held by a subsidiary. On a consolidated basis of presentation for Cosco Capital, Inc. financial statements, such shares are classified as treasury shares.

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 ₱592,421,085.

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

26. REVENUES

An analysis of the Group's revenue for the period is as follows:

	2015	2014
Sale of goods	**₱ 25,269,753,874**	₱ 18,954,624,568
Services	**359,130,893**	274,726,993
Production lifting	**205,822**	262,502
	₱ 25,629,090,589	₱ 19,229,614,063

27. COST OF SALES AND SERVICES

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

	2015	2014
Cost of sales	**₱ 21,058,180,253**	₱ 15,556,258,827
Cost of services	**170,176,489**	128,216,240
	₱ 21,228,356,742	₱ 15,684,475,067

Cost of Sales

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

		2015		2014
Inventory, January 1	₱	**13,921,685,345**	₱	10,354,718,168
Net purchases		**21,577,346,039**		16,096,777,737
Cost of goods available for sale		**35,499,031,384**		26,451,495,905
Inventory, March 31 (Note 9)		**14,440,851,131**		10,895,237,078
	₱	**21,058,180,253**	₱	15,556,258,827

Cost of Services

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

		2015		2014
Utilities	₱	**93,558,853**	₱	82,601,343
Taxes and licenses		**17,607,615**		13,782,791
Security services		**16,507,941**		11,513,627
Janitorial services		**11,164,244**		8,174,626
Repairs and maintenance		**9,177,041**		2,213,009
Rentals		**7,844,772**		6,177,869
Management fees		**5,419,492**		2,826,678
Insurance		**3,742,115**		-
Others		**5,154,416**		926,297
	₱	**170,176,489**	₱	128,216,240

28. OTHER OPERATING INCOME

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

		2015		2014
Concession income	₱	**297,080,821**	₱	288,489,016
Display allowance		**118,838,474**		181,382,825
Rent (Note 32)		**105,528,670**		79,369,674
Membership fee		**81,654,536**		53,806,710
Listing fee		**4,756,200**		8,525,062
Miscellaneous		**160,954,335**		62,308,064
	₱	**768,813,036**	₱	673,881,351

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

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

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

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

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

Demo/sampling income pertains to the fee paid by the suppliers for the privilege granted by PPCI in allowing a representative of the supplier to conduct a demo or give away samples of their products inside the selling area of the stores.

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

29. OPERATING EXPENSES

The account consist of:

		2015		2014
Manpower-Agency served	₱	**428,211,292**	₱	400,128,047
Rent (Note 33)		**408,484,939**		215,609,195
Salaries, wages and allowances		**395,847,052**		290,242,229
Utilities		**381,451,566**		363,272,769
Outside services		**216,558,316**		259,724,475
Taxes, permits and licenses		**128,295,433**		114,231,857
Supplies		**103,925,907**		71,361,240
Concess fee		**100,425,054**		1,440,591
Repairs and maintenance		**79,915,188**		53,860,812
Janitorial and messengerial		**72,658,474**		-
Selling expenses		**44,837,825**		23,693,003
Advertising and promotion		**40,675,226**		32,412,985
Insurance		**38,844,042**		34,061,899
Representation and entertainment		**29,454,094**		16,442,762
SSS, Medicare and HDMF		**23,739,291**		20,465,770
Disallowed input VAT		**17,536,909**		14,561,978
Transportation and travel		**16,306,645**		12,565,597
Doubtful accounts (Note 9)		**11,294,211**		-
Fuel and oil		**9,863,068**		12,041,769
Warehousing and delivery		**5,780,745**		-
Royalty expense		**8,022,759**		7,319,031
Professional fee		**4,541,626**		-
Membership and listing fee		**466,233**		-
Training and seminars		**54,528**		-
Miscellaneous		**45,101,310**		122,076,224
	₱	**2,612,291,733**	₱	2,872,197,873

30. OTHER INCOME (CHARGES) - net

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

		2015		2014
Finance income (Note 6)	₱	**31,115,659**	₱	39,047,980
Finance cost		**(111,309,713)**		(19,252,956)
Others		**20,757,865**		38,661,151
	₱	**(59,436,189)**	₱	58,456,175

31. INCOME TAXES

The reconciliation of the income tax expense computed at the statutory income tax rate to the actual income tax expense as shown in profit or loss for the periods ended March 31 is as follows:

		2015		2014
Profit before tax	₱	**2,105,312,395**	₱	1,775,805,666
Tax expense at:				
30%		**631,593,719**		500,348,994
5%		**891,648**		1,259,056
Tax effect of:				
Non-deductible interest expense		**3,889,419**		6,170,870
Share in net loss of associates		**114,788**		-
Dividend income exempt from final tax		**(937,483)**		(998,718)
Share in net income of joint ventures		**(5,803,056)**		-
Other non-taxable income		**(8,612,124)**		-
Finance income subjected to final tax		**(9,334,698)**		(12,678,782)
Non-deductible other expenses		-		2,779,735
	₱	**611,523,185**	₱	496,881,155

The components of the Group's deferred tax liabilities (DTL) net of deferred tax assets (DTA) in respect to the following temporary differences are shown below:

	2015	2014
	DTA (DTL)	DTA (DTL)
Accrued rent expense	₱ **624,424,506**	₱ 655,581,040
Retirement benefits liability	**123,068,164**	123,068,164
NOLCO	**120,086,493**	120,086,493
Allowance for impairment losses on receivables	**49,337,160**	49,337,160
Discounting of customers deposit	**27,728,867**	27,728,867
Actuarial losses	**14,462,674**	14,462,674
MCIT	**4,199,446**	4,199,446
Advanced rentals	**2,051,081**	2,051,081
Security deposit adjustment (asset)	**1,487,782**	1,487,782
Deferred rent income	**1,558,133**	1,558,133
Provision for gas cylinders	**510,000**	510,000
Unrealized foreign exchange loss	**402,286**	402,286
Recognition of DTA	**122,892**	122,892
DTA	**969,439,484**	1,000,596,018
Fair value of intangible assets from business combination	**(1,379,734,058)**	(1,379,734,058)
Accrued rent income	**(218,676,313)**	(218,395,710)
Security deposit adjustment (liability)	**(26,434,774)**	(26,434,774)
Prepaid rent	**(6,774,144)**	(6,774,144)
Discounting of customers deposit	**(1,793,329)**	(1,793,329)
Accrued interest income	**(729,547)**	(729,547)
Unrealized foreign exchange loss	**(299,754)**	(299,754)
DTL	**(1,634,441,919)**	(1,634,161,316)
Net	₱ **(665,002,435)**	₱ (633,565,298)

The realization of these deferred tax assets is dependent upon future taxable income that temporary differences and carry forward benefits are expected to be recovered or applied. Deferred tax expense recognized in other comprehensive income pertains to the remeasurements of the retirement benefit liability.

32. RETIREMENT BENEFITS LIABILITY

The Group has an unfunded, non-contributory, 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, 2014. 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.

	2015	2014
Balance at January 1	**₱ 458,436,122**	₱ 293,041,032
Included in profit or loss		
Current service cost	**1,410,797**	63,434,907
Interest cost	-	16,955,785
Interest income on plan assets	-	(167,107)
	1,410,797	80,223,585
Included in other comprehensive income		
Remeasurements loss (gain):		
Changes in financial assumptions	-	(780,626)
Changes in demographic assumptions	-	(64,812)
Actuarial loss (gain) arising from:	-	-
Financial assumptions	-	67,091,416
Experience adjustment	-	(12,064,685)
Return on plan assets excluding interest income	-	234,492
	-	54,415,785
Retirement benefits paid	**(925,171)**	-
Effect of business combination	-	30,755,720
Balance at March 31 and December 31	**₱ 458,921,748**	₱ 458,436,122

The retirement benefits liability recognized in the statements of financial position as at March 31, 2015 and December 31, 2014 are as follows:

	2015	2014
Present value of defined benefits obligation	**₱ 458,921,748**	₱ 458,436,122
Fair value of plan assets	**(25,000,000)**	(25,000,000)
Retirement benefits liability	**₱ 433,921,748**	₱ 433,436,122

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

	2015	2014
Current service cost	₱ 1,410,797	₱ 63,434,907
Interest expense on the defined benefit liability	-	16,955,785
Interest income on plan assets		(167,107)
	₱ 1,410,797	₱ 80,223,585

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

	2015	2014
Cumulative actuarial loss at beginning of year	₱ 71,133,477	₱ 3,600,700
Actuarial loss (gain) due to increase in defined benefit obligation	-	54,415,785
Effect of business combination	-	13,116,992
Cumulative actuarial loss at end of year	₱ 71,133,477	₱ 71,133,477

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

	2015	2014
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.

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.

33. OPERATING LEASES

The Group as a 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 19).

Rent expense recognized in profit or loss amounted to ₱408,484,939 and ₱215,609,195 in 2015 and 2014, respectively, as disclosed in Note 29.

The Group as a 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 22).

Rent income recognized in profit or loss for the periods 2015 and 2014 amounted to ₱105,528,670 and ₱79,369,674, respectively, as disclosed in Note 28.

34. EARNINGS PER SHARE

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

Basic Earnings per Share

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

	2015	2014
Income attributable to the equity holders of the Parent Company (a)	**964,771,794**	816,664,970
Adjusted weighted average number of shares outstanding (b)	**7,109,751,381**	7,160,506,037
Basic earnings per share (a/b)	**0.135697**	0.114051

35. FAIR VALUE MEASUREMENTS

35.01 Fair Value of Financial Assets and Liabilities

The carrying amounts and estimated fair values of the Group's financial assets and financial liabilities as at March 31, 2015 and December 31, 2014 are presented below:

	2015		2014	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial Assets				
Receivables	₱ 6,030,448,778	₱ 6,030,448,778	₱ 5,321,986,551	₱ 5,321,986,551
Investment in trading securities	40,934,859	40,934,859	37,448,469	37,448,469
Short-term investments	864,415,962	864,415,962	824,078,115	824,078,115
Due from related parties	19,741,389	19,741,389	18,044,438.00	18,044,438.00
Available-for-sale financial assets-current	14,876,612	14,876,612	14,277,024	14,277,024
Available-for-sale financial assets-noncurrent	398,776,037	398,776,037	398,776,037	398,776,037
Other non-current assets	1,279,987,272	1,279,987,272	1,240,131,409	1,240,131,409
	₱ 8,649,180,909	₱ 8,649,180,909	₱ 7,854,742,043	₱ 7,854,742,043
Financial Liabilities				
Accounts payable and accrued expenses*	₱ 7,309,432,397	₱ 7,309,432,397	₱ 12,357,621,590	₱12,357,621,590
Trust receipts payable	7,855,624	7,855,624	0	0
Short-term loans payable	2,311,000,000	2,311,000,000	2,259,100,000	2,259,100,000
Current portion of long-term borrowing	1,009,509,574	1,009,509,574	1,007,789,300	1,007,789,300
Dividends payable	0	0	915,840,635	915,840,635
Due to related parties	73,983,664	73,983,664	42,605,644	42,605,644
Long term loans payable - net of debt issue cost	8,913,082,668	8,913,082,668	8,858,613,920	8,858,613,920
Other current liabilities	353,828,920	353,828,920	408,917,894	408,917,894
Other non-current liabilities	2,236,494,546	2,236,494,546	2,068,506,537	2,068,506,537
	₱ 22,215,187,393	₱ 22,215,187,393	₱ 27,918,995,520	₱ 27,918,995,520

*Does not include statutory payables

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

- *Short-term Investments, Receivables, Due from Related Parties and Security Deposits*

  The carrying amounts of 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 2015 and 2014 ranges from 3.50% to 3.61% and 3.50% to 3.61%, respectively.

35.02 Fair Value Determinations of Assets

The following table provides an analysis of assets and liabilities that are measured at fair value on a recurring basis subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which inputs to valuation techniques are observable:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within the Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

35.02.01 Fair Value Hierarchy

Shown below are the fair value of assets and liabilities:

Recurring Fair Value Measurements

	Level 1	Level 2	Level 3	Total
Assets:				
Investment in trading securities	₱ 40,934,859	₱	₱	₱ 40,934,859
Investment in AFS	14,876,612			14,876,612
	₱ 55,811,471	**₱**	**₱**	**₱ 55,811,471**

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

36. FINANCIAL RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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

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

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

Market Risk Management

Foreign Currency Risk Management

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

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

Credit Risk Management

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

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

	2015	2014
Cash in banks and cash equivalents	₱ **8,349,779,457**	₱ 14,354,179,316
Receivables	**6,030,448,778**	5,321,986,551
Short-term investments	**864,415,962**	824,078,115
Loans to related parties	**6,300,000**	7,995,068
Due from related parties	**13,441,390**	10,049,370
Investment in trading securities	**40,934,859**	37,448,469
Available-for-sale financial assets-current	**14,876,612**	14,277,024
Available-for-sale financial assets-noncurrent	**398,776,037**	398,776,037
Other non-current assets	**1,279,987,272**	1,240,131,409
	₱ **16,998,960,367**	₱ 22,208,921,359

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

2015	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	8,349,779,457					8,349,779,457
Receivables	2,126,809,233	591,220,714	2,793,964,093	466,681,794	51,772,944	6,030,448,778
Short-term investments	864,415,962					864,415,962
Due from related parties	19,741,389					19,741,389
AFS financial assets-current	14,876,612					14,876,612
AFS financial assets-non-current	398,776,037					398,776,037
Other non-current assets	1,279,987,272					1,279,987,272
	13,054,385,962	591,220,714	2,793,964,093	466,681,794	51,772,944	16,958,025,507

2014	Neither Past Due nor Impaired	Past Due but not Impaired			Impaired	Total
		1 to 30 Days	31 to 60 Days	More than 60 Days		
Cash in bank and cash equivalents	14,354,179,316					14,354,179,316
Receivables-net	3,193,191,931	1,064,397,310	798,297,983	266,099,328	164,457,192	5,486,443,743
Short-term investment	824,078,115					824,078,115
Due from related parties	18,044,438					18,044,438
AFS financial assets`-current	6,363,758					6,363,758
AFS financial assets`-non-current	398,776,037					398,776,037
Other non-current assets	1,240,131,409					1,240,131,409
	20,034,765,004	1,064,397,310	798,297,983	266,099,328	164,457,192	22,328,016,816

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

- Cash in bank and cash equivalents 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.
- Trade receivables were assessed as high grade since majority of trade receivables are credit card transactions and there is no current history of default. Non-trade receivables from suppliers relating to rental, display allowance and concession and advances to contractors were assessed as high grade since these are automatically deducted from the outstanding payables to suppliers and contractors. Advances to employees were assessed as high grade as these are paid through salary deductions and have a high probability of collections.
- Due from related parties and security deposits were assessed as high grade since these have a high profitability of collection and there is no history of default.

Liquidity Risk Management

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

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

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

	Within 1 Year	More than 1-5 Years	More than 5 Years	Total
March 31, 2015				
Accounts payable and accrued expenses *	₱ 7,309,432,397	₱ -	₱ -	₱ 7,309,432,397 0
Due to related parties	73,983,664	-	-	73,983,664
Current maturities of long - term loans, net of debt issue costs	3,362,767	2,006,224,119	7,913,005,356	9,922,592,242
Short-term loans payable	2,311,000,000	-	-	2,311,000,000
Other current liabilities	95,516,633	-	-	95,516,633
Other non-current liabilities	82,818,929	234,169,859	1,919,505,758	2,236,494,546
	₱ 9,876,114,390	₱ 2,240,393,978	₱ 9,832,511,114	₱ 14,639,587,085
December 31, 2014				
Accounts payable and accrued expenses	₱ 12,357,621,590	₱ -	-	₱ 11,257,028,053
Due to related parties	42,605,644	-	-	42,605,644
Current maturities of long - term loans, net of debt issue costs	3,344,078	1,994,864,800	6,736,464,320	9,866,403,220
Short-term loans payable	2,272,364,960	-	-	2,272,364,960
Other current liabilities	261,804,557	-	-	261,804,557
Other non-current liabilities	76,598,218	216,580,847	1,775,327,472	2,068,506,537
	₱ 15,014,339,116	₱ 2,211,445,647	₱ 8,511,791,792	₱ 25,785,256,190

*Does not include statutory payables

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

	Within 1 Year	1 – 5 Years	Total
March 31, 2015			
Cash in banks and cash equivalents	₱ 8,733,734,924	₱	₱ 8,733,734,924
Receivables	6,030,448,778	-	6,030,448,778
Short-term investments	864,415,962	-	864,415,962
Due from related parties	13,441,390	-	13,441,390
Investment in trading securities	40,934,859	-	40,934,859
Loans to related parties	6,300,000	-	6,300,000
Available-for-sale financial assets-current	14,876,612	-	14,876,612
Available-for-sale financial assets-noncurrent	-	398,776,037	398,776,037
Other non-current assets	-	1,279,987,272	1,279,987,272
	15,704,152,525	1,678,763,309	17,382,915,834
December 31, 2014			
Cash in banks and cash equivalents	₱ 15,681,010,818	₱ -	₱ 15,681,010,81 8
Receivables	5,321,986,551	-	5,321,986,551
Short-term investments	824,078,115	-	824,078,115
Due from related parties	10,049,370	-	10,049,370
Investment in trading securities	37,448,469	-	37,448,469
Loans to related parties	7,995,068	-	7,995,068
Available-for-sale financial assets-current	14,277,024	-	14,277,024
Available-for-sale financial assets-noncurrent	-	398,776,037	398,776,037
Other non-current assets	-	1,240,131,409	1,240,131,409
	₱ 21,896,845,415	₱ 1,638,907,446	₱ 23,535,752,861

37. CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND PROCEDURES

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.

SECTION B

COSCO CAPITAL, INC. AND SUBSIDIARIES
UNAUDITED PRO-FORMA INTERIM FINANCIAL STATEMENTS

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Pro-forma Statements of Comprehensive Income
For the Periods Ended March 31, 2015 and 2014

Segment Information

COSCO CAPITAL, INC. AND SUBSIDIARIES

PRO-FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Periods Ended March 31, 2015 and 2014

(In Philippine Peso)

	2015 (UNAUDITED)	2014
REVENUES	25,629,090,589	25,105,918,701
COST OF SALES AND SERVICES	21,227,087,418	21,213,675,858
GROSS PROFIT	4,402,003,172	3,892,242,844
OTHER OPERATING INCOME	768,813,036	676,155,593
	5,170,816,208	4,568,398,437
OPERATING EXPENSES	2,613,561,057	2,318,343,223
INCOME FROM OPERATIONS	2,557,255,151	2,250,055,213
OTHER INCOME (CHARGES) - net	(59,436,189)	40,079,739
INCOME BEFORE INCOME TAX, DEPRECIATION AND AMORTIZATION	2,497,818,962	2,290,134,952
DEPRECIATION AND AMORTIZATION EXPENSE	392,506,567	352,128,779
INCOME BEFORE INCOME TAX	2,105,312,395	1,938,006,174
INCOME TAX EXPENSE	611,523,185	548,445,511
NET INCOME FOR THE PERIOD	1,493,789,210	1,389,560,663
Net income attributable to:		
Equity holders of Parent Company	964,771,794	918,343,107
Non-controlling interests	529,017,416	471,217,557
	1,493,789,210	1,389,560,663
Total comprehensive income attributable to:		
Equity holders of Parent Company	964,441,291	917,367,402
Non-controlling interests	529,017,416	471,217,557
	1,493,458,707	1,388,584,958
Earnings per share	*0.135697*	*0.128251*

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

	Retail	Real Estate	Liquor Distribution	Parent, Oil and Mining	Specialty Retail	Consolidated
			(In thousands)			
For the Period Ended March 31, 2015						
Revenue	20,688,727	543,982	1,031,201	206	3,611,827	25,629,091
Income from operations	1,776,326	360,406	184,121	-10,084	246,488	2,557,255
Depreciation and amortization	300,203	53,737	1,353	344	36,869	392,507
Finance cost	-16,161	-16,303	-5,887	-67,715	-10,915	-111,310
Finance income	10,201	2,930	109	23,301	246	31,116
Net income for the period	1,054,197	228,750	122,605	-50,333	138,571	1,493,789
As at March 31, 2015						
Total current assets	16,739,093	5,214,410	4,104,125	14,613,745	2,307,975	32,869,408
Total non-current assets	33,876,476	14,773,138	17,867	81,512,174	1,426,244	53,876,354
Total current liabilities	9,655,975	4,533,545	1,869,216	3,639,946	1,020,578	12,734,571
Total non-current liabilities	5,672,934	2,177,214	10,543	4,920,161	179,106	12,881,859
For the Period Ended March 31, 2014						
Revenue	18,384,530	492,236	730,789	263	5,829,384	25,105,919
Income from operations	1,636,251	305,311	144,251	-6,529	170,771	2,250,055
Depreciation and amortization expense	285,570	51,442	1,399		13,717	352,129
Finance cost	11,331	-6,552	-2,305	-145	-15,014	-12,685
Finance income	6,911	652		31,774	38	39,375
Net income for the period	943,387	211,319	112,124	27,650	95,081	1,389,561
As at March 31, 2014						
Total current assets	15,139,747	3,826,902	2,646,783	11,640,738	2,014,191	30,283,503
Total non-current assets	32,154,603	13,202,702	13,661	77,462,155	1,340,292	48,461,842
Total current liabilities	9,555,011	4,799,628	1,022,362	363,422	869,600	13,471,227
Total non-current liabilities	6,209,652	452,475	10,092	8,247	28,793	6,709,259

SECTION C

COSCO CAPITAL, INC. AND SUBSIDIARIES
KEY PERFORMANCE INDICATORS
March 31, 2015, 2014 and 2013

Performance Indicators	2015	2014	2013
ROI	2.47%	1.53%	23.00%
Profit margin	5.83%	6.55%	27.66%
EBITDA to interest expense	22.44 x	109.51 x	n/a
Current ratio	2.58:1	2.24:1	351.96:1
Asset turnover	0.29 x	0.65 x	0.81x
Asset to equity	1.42 :1	1.34:1	1.37:1
Debt to equity ratio	0.42 :1	0.11:1	Debt free